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THE STORY OF INDUSTRIAL DEMOCRACY

JOHN LEITCH

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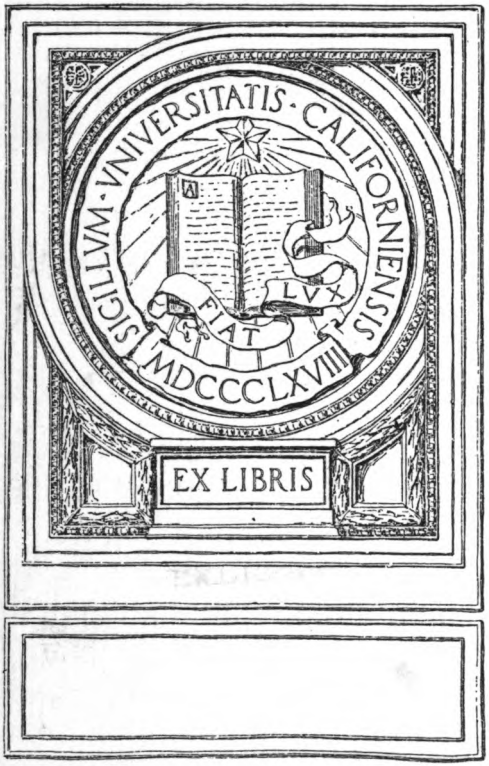

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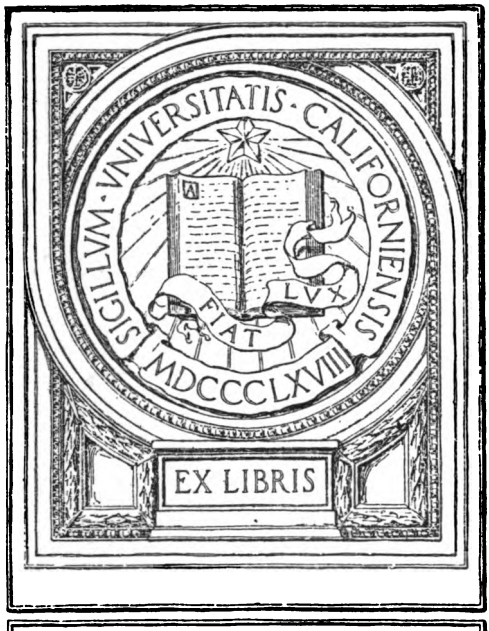

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MAN TO MAN

The Story of Industrial Democracy

BY

JOHN LEITCH

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INTRODUCTION

THE whole future of the United States is bound up in the establishment of a happy relation between the employer and the employee. It must be happy—but with the happiness of united effort by both and not the happiness of mute, unthinking obedience. We have need for the brains as well as the hands of all who are able to work. In the past we have had only the hands; it is high time that we should also have the brains—have complete men working in a great industrial democracy. In this little book I have faithfully set down something of the theory and a few of the cases arising out of my own conception of Industrial Democracy in the hope that it will serve to bring the attention of both employer and employee to the big problem which confronts us. I have taken most of the incidents out of conditions arising from the Great War because it is the War that marks the transition of labor to a state of economic independence.

JOHN LEITCH.

Philadelphia, Penna.,
January, 1919.

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Man to Man, The Story of Industrial Democracy

CHAPTER I

THE FACTORY WORKER OF TODAY

HAVE we not talked rather too much about working people as a class and too little of them as human individuals?

"Labor" and "capital" are convenient terms, but insensibly the terminology leads us into thinking that all people who work *for* money belong to one species and all people who work *with* money to another.

Perhaps from the detached viewpoint of the economist, you may take labor as one thing and capital as another, but when you come down to specific problems in modern industry you find that you have to deal not with broad, chartable forces but with a more or less miscellaneous collection of individuals, some of whom happen to be employers and others employees. And aside from some differences in clothing, education, and

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money the capitalist and the laborer are really pretty much alike. In fact, I think, if you stripped any organization and turned it out into a field you might have quite a little trouble cutting out the employers from the employees! It is easy enough to distinguish the common laborer in the packing house from the great capitalist in Wall Street if both are dressed and are in their usual environments. When a mechanic hires two helpers on a job, however, and all three are working together, you are put to it to discover which is the representative of capital and which of labor. The man who was a worker yesterday may be an owner today. Schwab, Ford, Eastman, George F. Johnson, and dozens of other men who are today known as great employers of labor were workers only a few years ago—were part of that which the socialists would like to impose on us as the proletariat. If you fall into the error of thinking that capital and labor are differentiated in blood just call the roll of the employers and find out how many of them once were "workers."

It is not easy to get down to the man-to-man view; a countless number of today's workers seem to be scarcely human. In recent years, with the dwindling of English and Irish immigration, the workers

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have been recruited from peoples with whom we recognize little in common—from the Italian peasants and from the uncouth dwellers in Russia and Southern Europe. These were people who, in their native lands, saw no future. They came here bearing hopes—inarticulate, perhaps—of a freedom that could open a future. In our eyes they were brutish; they herded like so many animals and we began to think of them as such. Their names were commonly so outlandish and their personalities so insignificant to us that we did not attempt to note them on the pay rolls—it was enough to designate them by numbers. We forgot they were human beings. Americans, refusing to work with these foreigners, gradually dropped out of the large industrial units or advanced to positions as foremen or executives. For instance, only ten per cent. of the employees in the Chicago Stock Yards are American. An investigating commission found 26 separate nationalities in one Arizona mining camp and 32 in another.

With a million of these polyglot workers pouring in every year ready to take any jobs at any wages, the whole face of industry changed. It took us a while to find out what really was going

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on. Then we awoke to the fact that between the employer and the employee had been erected a barrier of race and language. Instead of the old order in which the employees knew their employer as the "Boss" and called him by his first name, came a new order in which the "boss" was an impersonal being whom the workers did not know by sight. There sprung up a kind of half military organization in which the chief owner was a field marshal, the executives were generals, and the workers only privates—and they meant just about as much to the field-marshal owner as does a private soldier where there is military caste. The old order had passed and in great establishments there was a wide social gulf between the employer and the employee. The gulf would have been wide enough anyhow owing to the class distinctions which the new immigrants brought with them, but it was widened further by the peculiar development of the processes of industry. Professor D. S. Kimball presents the situation very accurately in an article in *Industrial Management* in which he says:

> Changes in industrial methods are followed necessarily by changes in the status of the worker; so far as industry itself is concerned, and by changes in his social status as well. In

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dustrial changes and their effects come, usually, with great rapidity, but social changes are likely to follow very slowly and only because of great effort on the part of those interested. Invention and its effects always greatly outrun the social changes that inevitably follow in their wake. The industrial revolution at once separated the worker from the tools of industry. No longer could he compete as an independent operator using handicraft tools, but he was compelled to depend for employment upon capital, which alone could provide the new implements of production. At the same time this revolution broke up the old social order, destroying the old friendly paternal relations between master and man, but provided nothing to take their place. The problem before us is to find the conditions that will reëstablish satisfactory industrial and social relations.

If the worker of today had to depend upon medieval ideals as to his place in the world his condition would undoubtedly be much worse than it now is. It was quickly recognized that these new methods greatly increased man's productive capacity but at the same time it was as quickly recognized by advanced thinkers that these methods carried with them no regulative principles that guaranteed fair distribution of these added benefits. It was quickly seen that the old relations were not adequate for these new conditions, and it was quickly proven that the industrial classes could not depend upon the good will of individuals or groups of employers for fairness or even decent protection against the evils of modern industrial methods.

Employers were not inhuman; they simply could not realize what had happened. When they did get their bearings a kind of social consciousness began to develop. Moved partly by the desire to have more intelligent people to deal

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with, and partly by a feeling of benevolence, they formed plans to better working conditions. This first welfare work was almost purely philanthropic. It was generally felt by even the fairest minded of employers that raising wages would be a positive disservice to the people because they would not know what to do with the extra money and would probably spend it in riotous living. Most employers reasoned somewhat in this fashion: "The people have accustomed themselves to a scale of living nearly as low as that in which they had been reared in Europe; they have no desire for anything better. What they do want is more to drink and more days on which to get thoroughly drunk; their women want gaudier clothing, but none of them have any desire to live a more human and less animal existence. They do not want to be clean or to be orderly, or to read, or to exercise, or to play games." The improvements in the standard of living among immigrants did not spring from their natural desires but were, at the first, imposed upon them almost by force, by the employers. The employers took the paternal attitude that the people would not help themselves and therefore had to be helped. That is the idea behind the first welfare work, and those employers

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who introduced welfare work should be given due credit.

We sometimes forget that here in America, in what we are pleased to call a free country, we had a vast number of people who were little more than serfs, because they could not comprehend any other way of working. They worked in America exactly as they had worked in Europe—with little vision and without responsibility, grubbing through from day to day, and mightily glad to have enough to eat. The first welfare work was a brave experiment—but not because those who instituted it saw that the mental development of the workers would create new problems. It was brave because it seemed to be a throwing away of money which had always been taken as profit. When John H. Patterson insisted that his factories should be flooded with light, that machines should be spotlessly clean, and that workers should be personally clean, his associates thought that he was crazy. And other employers in Dayton jeeringly wanted to know if he was sure of what he was doing and had not absent-mindedly started a finishing school for young ladies.

In the beginning, welfare work was thus a truly charitable uplifting of European peasants; inci-

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dentally it proved to be good business. It was found that it was short sighted to expect good work from undernourished human beings laboring in a dark filthy hole. Even those employers with no social consciousness were quick enough to perceive the investment return on welfare work and at once plunged. It was cheaper to maintain a few baseball fields than to add a dollar a week to the wages of ten thousand men. The mathematics were all in favor of the welfare work. They began to substitute it for wages and, unfortunately, the welfare work that was good gained practically the same disfavor as that which sprang from unworthy motives.

The tendency of employers was to become more and more paternal and of the employees to become more and more dissatisfied. When you teach a man to bathe, you do more than merely teach him to cleanse his body. You introduce him to a new kind of life and create in him a desire for better living and then, of course, he requires higher wages in order to satisfy the new desires. The paternal employers thought that the living opportunities which they provided should be enough and that the workers ought to be satisfied with clean homes and clean places in which to work;

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they did not know that they had started something which they could not stop. Those who had gone into the bettering of industrial conditions solely from a financial standpoint felt that they had made a wrong guess, while those who had been animated solely by charity were deeply hurt to think that their benefactions had not been appreciated. I recall one manufacturer telling me as an instance of "no matter what you do for them they won't appreciate it" that he had actually loaned employees in the aggregate a very considerable sum of money to tide them over a period when the factory was closed and that some of the workers had been so rude as to tell him that if he knew how to run his business he would not have to close it down!

The paternal idea persists. Employers think that in many cases they are public benefactors because they provide work. They do not seem to realize that they could not make money if they did not have the work to provide. The workers, on the other hand, have also developed a class consciousness and resent paternalism. They have found that by mass action they can make or unmake the employer and set themselves up as a kind of commodity of a market value fluctuating with the

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times. The labor leaders resent any classification of their people as a commodity and prefer the term "collective bargaining." It does not make much difference how we describe the attitude, the point to bear in mind is that the worker very properly takes the position that his wages are not *largesse*, that it is not a favor for any one to hire him but that it is really a pure business proposition—a bargain and sale.

Collective bargaining and trade unionism protect against paternalism, against the cheating employer (of whom there are some although fortunately not many) and help to add to the dignity of employment by putting it on a business basis. Trade unionism likewise holds dangers. In order to attract members many organizers have talked wildly and tried to persuade the people that there is such a thing as "labor" and that its chief duty is to fight a thing called "capital." This acute class consciousness has not yet gone so far here as in England, but its growth is being helped not a little by the employers talking about labor in exactly the same way that the unions talk about capital. The further sinister development is the attempt to destroy the individuality of the worker by putting all upon the same level, by

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requiring that a man shall not produce more than a certain amount within a certain time, and by short-sightedly opposing the introduction of labor-saving machinery which must, in the end, really add to the dignity and power of labor.

Thus we find a kind of new alignment, not very definite as yet but growing more definite. The employee works for the money that he can get. He knows perfectly well that if he does not look after his own money no one else will; he has taken his regard from the work itself to the money that he can get for it and he finds nowhere a community of interest with the man who pays him the money.

What is the result of all this? The first result is that, lacking any incentive other than the money the worker will listlessly return just that amount of exertion which will obtain the money. He feels himself fettered, unable to express himself, and can see no chance to get ahead. For, if he has classified himself as "labor" and as having a market price he cannot see how it is possible ever to get out of the class or to command much more by great exertion than he is now earning by little exertion. He wants to give the least that he can in return for the money paid to him. It is up to

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the employer then to get his money's worth. He drives while the worker sulks.

Both the employer and the employee are governed by the same impulses and the one is no more culpable than the other—they simply have not gotten to a place where they can converse with each other in the same language and form a partnership. The employee thinks that the employer is grinding him down for his own personal profit; the employer thinks that the employee is a "gold brick artist." They are mutually distrustful and the result is petty, irritating incidents that develop distrust. The employer likes to dodge the situations. As a writer in the *New Republic* said not long since:

> If a survey could be made of the minds of a thousand American manufacturers at random, and a report gathered of their prevailing practices in dealing with labor, it would probably be a rudimentary affair. When orders are abundant, as at present, hire as many men as you can get at the market rate. If you can't get enough at this rate, pay a little more than your neighbor. Work the men longer hours. If they become dissatisfied, give them a little more money. If this process forces wages too high, recoup in two ways: charge higher prices and introduce cheaper labor wherever you can, especially women. If that gets you into trouble with the unions, keep your shops non-union as far as possible, appeal to the patriotism of your employees, blame seditious agitators for all strikes and demand industrial conscription from the government.

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This is an overdrawn description but it has some elements of accuracy. It reveals the big fact—which all of us like to dodge—that there exists no general, definite labor policy. It is true that employment managers have done much toward helping to found policies, but generally they are easily over-ruled by higher executives on the points that are really important. But they seek to adjust existing conditions as between *Capital* and *Labor*, accepting the two as distinct entities. They cannot formulate a new basis of understanding because that is generally held to be beyond the proper scope of their duties. And finally (and I think this is the greatest obstacle they have to work against) they are apt to be hired by the executives in the hope that thus they can dismiss the bothersome detail of labor.

What is really the trouble? Is there no way of forming a new relation instead of tinkering with the old?

The problem before us is to provide a new relationship between employer and employee. We cannot bring back the old conditions; the present conditions are intolerable. We must create a new set of conditions.

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CHAPTER II

WHY MEN STRIKE

IN THE year 1917 nearly 5,000 strikes were reported. Probably twice as many small strikes and "near strikes" did not come to official notice. In the State of New York, in the period from October 1, 1915, to June 30, 1916 (which period I take because it preceded our entrance into the war and it marks only the beginning of the upset of the relation between employer and employee) there were 328 strikes involving a quarter of a million people, who lost in all, 9,581,163 days. If you happen to have a mathematical turn of mind, you can calculate nearly how much of the time of American labor was spent in fighting employers. Or, rearranging the figures, you can roughly ascertain the idleness of the industrial investments of the country because their controllers could not find any one to help develop them. One might also arrive at a money total of the wages and profits lost. But the total that you cannot even estimate is the production lost through ill-

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will before the actual strikes and after their supposed settling.

It is less expensive to have men belligerently "out" than to have them sullenly "in." The I.W.W. who understand human nature, brilliantly evolved the "strike on the job" as a device to irritate the employer without affording him a concrete point to combat. When men strike on a job they devote their minds to doing as little as possible in a day and doing that little as badly as ingenuity will devise. Almost any employer prefers an out and out strike with rioting and violence to the insidious crippling of the "strike on the job."

Take the production loss through actual strikes, whether on or off the job, and you have an appalling figure. But if any means could be had of calculating the total effects of the ill-will that did not develop into actual breaks or that succeeded unsatisfactory settlements the results would be even more startling. My own opinion is that, considering the country as a whole, we have not, during the past ten or fifteen years, secured more than 40% of our labor efficiency; that is, we have wasted probably 60% of our manufacturing capacity. This is a stupendous waste—far greater

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than the wastage of war and it acts and reacts through our whole national organization. It prevents a just measurement of wages, lengthens hours unduly, and makes production costs and consequently sales prices unreasonable. The average commodity going through no particularly minute fabrication doubles in price from the raw material to the consumer simply because it must carry the expense of human waste. Every worker and employer are also consumers, so this deplorable state of affairs hits everybody. Is not then this question of eliminating ill-will between employer and employee and consequently the cause of most human waste the vitally important one in the country?

The casual onlooker thinks no labor trouble exists without a strike—that industrial peace and "no strike" agreements are synonymous; the country is flooded with mediation and arbitration boards busy with the settlement of specific disputes. They take testimony, inquire into the cost of living, and conscientiously endeavor to give fair decisions. They do commonly get the men back to work. But if a substantial raise in wages is a part of the compromise (and it generally is) no sooner has the award been made than an-

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other group hears of the increase and it too wants more wages. In every case the increased wages are paid without regard to increased efficiency and hence the cost is passed directly on to the public; the price of living moves up a notch and before the mediators have finished their swing around the circle they find that the price of commodities has so risen that the higher wages no longer are adequate and the marking-up process has to begin all over again.

The public mediation commissions are important, because they recognize that the relation between employer and employee is no longer a private affair and also they help to avoid actual disorder in industrial disputes. They are an unfortunate necessity of the times but they are of no use in effecting more than a surface peace. They do not and they cannot go to the root of the matter—that is, they cannot replace the ill-will with good-will—and indeed, in this respect they have a deterring influence because they serve to persuade all parties that labor disputes are properly to be decided through process of law rather than on the plain common sense, man-to-man, basis. They serve to confirm the idea that capital is one thing and labor

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another and that any peace between them should be founded on negotiation rather than on justice and coöperation. I can see ahead nothing but disaster if we accept as a fact that the natural relation between employer and employee is one of competition and war and that their rights are to be adjudicated either through trial of battle or trial at law.

Let us grant that mediation and arbitration boards are a necessary evil—that they are doctors who, if they cannot cure, may at least administer an opiate to take the edge off the patient's misery. We used to think the big function of a medical man was to cure; now we know that it is to prevent. Would we have given any particular credit to Surgeon General Gorgas if, instead of taking fever out of the Canal Zone, he had built a series of splendid hospitals so that the victims might comfortably be cured? Is there not room for practicing a little preventive strike medicine?

Strikes are culminations of ill-will. Look at them from that angle. Take the 328 strikes in New York; 270 of them were for wages, 26 for union recognition, 13 for shorter hours, and 5 for bad working conditions. Those for bad working conditions may be dismissed at once; the employer

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who will not voluntarily provide a decent working place is to be considered as an industrial outlaw, a menace to the community, and to be treated as such. The wages and the hours are matters of easy adjustment, if there is a mutual interest and understanding between the parties. If the employer and the employee are working together the efficiency of the unit will be so great that wages can be paid with respect not to the market rate, but to the productive power. This productive power will be so high that wages will always be far in excess of the market figure and a continuous balance between wage and profit can be maintained. This eliminates wage disputes. By the same token, hours adjust themselves; the mutual spirit of fairness will regulate the hours by what the job requires. These questions out of the way, union recognition becomes a purely personal matter. If the employer and the employee have a convenient and just means for settling differences as they arise, it is small matter whether or not the union be recognized. For the workers in fairness, although union members, will not countenance any *unjust* interference by the union.

Unions were created to gain justice for the working man. When they make unjust demands,

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as sometimes they do, the cause will be found in the existing ill-will of the people responding to demagoguery. I have yet to discover a case of union interference sanctioned or upheld by the workers where there were not already discontent and trouble. Get these positions in mind. If the employer thinks of workers merely as rentable commodities, the employee will think of him only as a rent payer and will be glad to have the assistance of a union business agent to raise the renting terms. If, however, there is a common feeling of coöperation instead of competition, there will be no room for any one who tends to disturb that coöperation.

Trace how a worker begins his connection with the plant, find out what the average job holds for him and then I think it will not be surprising that he has no fellow feeling for the employer. Until there began to be an apparent shortage of workers few concerns had employment offices. The common procedure was for a foreman to go down among the throng of unemployed at the gates, or (if the management did not happen to like a crowd around) herded into a barn-like structure called an employment office. Suppose he wanted five turret lathe operators. He would yell:

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"Any of you fellows that ever run a turret lathe stand over here."

The line would form and the foreman would make his selection by the simple process of pointing his finger at the selected candidates and barking: "Here, you."

If the foreman actually needed five men probably he would pick out ten and at the end of the day fire all those who did not seem promising. Some of the men would undoubtedly lie about their knowledge of turret lathe operating in the hope that they could get away with the job. If they proved to be rank failures they would be fired immediately without the slightest effort to see if there was any other job in the place that they could do. During the demonstration of their incapacity, doubtless they would spoil some material and retard production.

Suppose they do get by. They may discover that they are on a piece rate at which they cannot make a decent wage no matter how hard they work. They feel that it is useless to kick about the rate, for the foreman has probably set it and will discharge them as shirkers if they complain. Therefore they quit. Or, the rate may be high and their fellow workers will quickly give the tip not to

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spoil a good thing by turning out too much. They loaf on the job.

Take such an individual case. What is his outlook? He knows he will not be advanced to a better rate because the work he is doing is worth just so much and no more. The best that he can expect is to keep working away at that machine until the end of time, being paid precisely the same amount for his labor regardless of his efficiency unless some force outside the factory compels a general raise. The reward for high efficiency will be a cut in the rate. When the volume of work lessens he expects to be laid off; he knows also that the foreman, convinced of the efficacy of military discipline, will, probably, from time to time, do a little indiscriminate firing in order, as the foreman himself would express it—"to put the fear of God in their hearts."

The worker's relations are wholly impersonal; he has a number and he is nothing more than a number. His first thought always must be to look out for himself—certainly no one else will do that for him. He will be fired for bad work but not rewarded for exceptionally good work. He has not a single inducement to take an interest in what is going on about him. Having his own

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welfare in mind, he is ready to join in any movement which promises higher wages and easier work.

There is the average factory worker! Probably at some period of his life he has been harshly or unfairly treated by a boss or by some employment agency—for cheating immigrants used to be one of our favorite national pastimes. It is inevitable that he should gather together quite a good deal of specific ill-will against individuals and it is not unnatural that this sense of cumulative smarting injustice should be directed against some specific object. The most convenient target is the employer for whom he happens to be working. And because human nature is always illogical, he bears ill-will toward his employer—no matter how fair that particular employer may happen to be. It is a class and not an individual enmity.

Thus he is open to suggestion from any and every demagogue who comes along. When a man is discontented he greatly appreciates having a demagogue to congratulate him on his discontent and suggest a few other things that he ought to be angry about. It is a deplorable condition but perfectly understandable; it is reasonable in its very unreasonableness. Take this extract from

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the extremely intelligent report of President Wilson's Mediation Commission upon labor unrest:

As is generally true of large industrial conflicts, the roots of labor difficulty in the packing industry lie deep. The chief source of trouble comes from lack of solidarity and want of power on the part of the workers to secure redress of grievances because of the systematic opposition on the part of the packers against the organization of its workers. The strike of 1903 destroyed the union, and for fourteen years the organization of the yards has been successfully resisted. In 1917 effective organization again made itself felt, so that by the end of the year a sizable minority, variously estimated from 25 to 50 per cent., was unionized. It is a commonplace of trade-union experience that an organized compact minority can control the labor situation in an industry. The union leaders felt, and rightly felt, therefore, that their demands had the effective backing of a potential strike. More important than any of the specific grievances, however, was the natural desire to assert the power of the union by asking the packers for union recognition, at least to the extent of a meeting between the packers and the representatives of the unions.

This the packers refused to do. They refused to meet eye to eye with the union leaders because of distrust of those leaders. It can not be gainsaid that the absence of a union organization for fourteen years, the increasingly large per cent. of non-English-speaking labor, and the long pent-up feeling of bitterness, all tended to make some of the men in whom the leadership for the time being rested somewhat devoid of that moderation in thought and speech which comes from long experience in trade negotiations. On the other hand, refusal of the packers to deal with these leaders tended to encourage and intensify those very qualities which dissuaded the packers from industrial contact with them.

The two important specific grievances involved low wages

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and long hours. In fact, two wage increases had, during 1917, been granted to workmen, largely in an endeavor to forestall union activity. Nevertheless the claim was made, and validly made, that the wage scales, particularly for the great body of unskilled workers, were inadequate in view of the increased cost of living. A further fact that influenced the workers in their wage demand was the belief that the companies had been making excess profits despite Government regulation of prices. Unfortunately the refusal of the packers to meet the union leaders deprived the packers of the opportunity of explaining away, if possible, the belief entertained by the men that the packers were profiteering.

Analyze those paragraphs. The union was strong because of the ill-will of the workers. This ill-will had not been quieted by increasing wages; rather the increases were taken as evidence that even higher wages could be paid. Discontent generated the suspicion that the company profits were unduly large and the people asked for a share in them under the guise of higher pay. The workers called their employers profiteers and in the next breath asked to share in the swag! How easily these matters might have been settled had the workers some democratic method of finding out what really was going on and of urging their pleas for what they thought was justice. I am not attempting to say who was right; there is nothing to show that the profits were unduly

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high, but the real point is that the packers and their workers had no easy, informal way of getting together and finding out about each other.

Men strike because they are without adequate representation; they may ostensibly go out for wages or hours but the rub nowadays is the recognition of the union. They think that they want money, but when they get the money they have always another complaint and whether or not it happens to be phrased in money is of small matter; that is merely a fault of expression. What is really behind it all is the half-articulated feeling that they should be treated not as mere material but as co-promoters of industry; that there should be a dignity in their position and relations.

Take again the report of the Mediation Commission and look at this summary of why men strike:

> American industry lacks a healthy basis of relationship between management and men . . . there is a widespread lack of knowledge on the part of capital as to labor's feelings and needs and on the part of labor as to the problems of management . . . to uncorrected specific evils in the absence of a healthy spirit between capital and labor . . . too often there is a glaring inconsistency between our democratic purposes in this war abroad and the autocratic conduct of some of those conducting industry at home.

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Is not this formal conclusion only another way of saying that we have failed to appreciate the value of mutual understanding? That we have failed to get down to a man-to-man basis?

But can such an understanding be had without radically changing the whole organization of industry?

It can. In the following chapters I am presenting some cases where it has been done.

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CHAPTER III

BUILDING MEN TO BUILD PIANOS

THE mutterings, the vague threats, had come to a head at last. An emissary of the union had just informed the president of the Packard Piano Company of Fort Wayne, Ind., that thenceforth the shop was to be exclusively a union shop, that other than union members in good standing were not to work in it—it was to be run as a "closed shop." He had broken the news with a half-courteous, half-impudent manner—a "this is how you're going to run your business" air—taking no pains to conceal his satisfaction over the rapid unionizing of the men. He felt able to dictate.

"You mean that I am to discharge every man who does not belong to your union?" queried the president.

"Most of them belong," answered the agent, "and we will give the others a fair chance to join."

"And if they don't?"

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"Then I guess we'll have to treat them as scabs," remarked the agent carelessly; and then, significantly, "you know we union men can't work with scabs."

"You mean to say that if these men do not join and I do not discharge them you will call a strike?"

The agent nodded, "That's about it."

"I will not discharge a man except for poor work or bad conduct here," continued the president firmly. "Under the circumstances, I think we had better quit before you do. I will shut down this factory within an hour and I will not open it again until I find men who are willing to work as I want them to and not as you want."

The president kept his word. He closed the shop but not in the way that the union agent had asked; he closed it "for repairs and installing machinery."

The strike was on. The union fought hard but the odds were against it and also the people, for the Middle West was not then very favorable to unions. Within a month the factory opened again; the union men came straggling back for their old jobs—and got them. The president had maintained his position and the unjust labor leader had been forced to back down. According

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to the technique of strikes, the company had won and the men had lost.

Such was the face of things. But a glance at the production chart for the first month after opening caused the president to doubt if he had won as much as he had lost. On paper the factory should have been producing to the limit; the full complement was on the pay roll, every machine was running. But pianos were not coming through at more than half the right volume and those that did come through were by no means up to standard; the workmanship was careless and the sales agents began to complain. As the months went by, conditions became worse. The men openly soldiered on their jobs; they had no interest, they disgruntedly worked because—and they did not care who knew it—they had no other place to find wages.

The company lost not only money through the high cost of the instruments but also customers through delivering faulty goods.

Everybody—company and men—was sore.

This was not a case of a grinding employer trying to beat production out of his men. The president was a fair man—one of the fairest that I have ever met; he wanted to do what was right;

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he paid the market wage for a ten-hour day. His trouble with the union had not been due to wages, hours, or conditions; he was not opposed to unions and he would have stood ready to conduct a "closed shop," could he have reconciled himself to discharging workmen for not belonging to the union. He hoped that better methods might bring a change and he retained an efficiency engineer; for eighteen months that engineer labored to speed production and cut costs but the men simply would not coöperate; they would not do more than drag through their tasks.

The president put the whole situation before me frankly: "I feel that I am somehow to blame here; I cannot get down to the men; they do not trust me although I am as fair as I know how to be. I simply have not sold myself to them. I shall do anything you tell me to do. I put myself in your hands."

I was convinced of his sincerity. I looked about a bit for the real causes of the strike whose wake had caused the trouble. The factory was an old established one and had originally made reed organs for the home. They branched out into the manufacture of pianos as the market for organs lessened. In the change the men who had been

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with the company for years were shifted into new departments and, although places were found for all of them, they were none too happy at the new work. The efficiency engineer put in a schedule of piece rates. They began on a wrong basis, had to be tinkered constantly, and gave universal dissatisfaction. The workmen came to doubt all the rates and felt vaguely that they were being "done."

Then appeared the "walking delegate" to unionize the town; he got a hearty reception and within a few weeks the president was called on to recognize the union—which he promptly did. It so happened that the president, secretary, and treasurer of the local were all in the company's shops and they began at once to use their new-found power. All three of them were in the varnishing department; they asked and got a rate of 30 cents an hour for varnishing piano cases with a time limit of 32 hours for 16 cases and a bonus for finishing within that limit. Then they asked for a limit of 36 hours and a higher hour rate. The president did not grant the increase; instead he brought over some of the old non-union men from the organ department who were rated at only 28 cents. These men did their first cases in 26 hours and, within a few days, cut the time to

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20 hours. Then the president, as an answer to the union demands, cut the rate and time limit according to the records made by the non-union men. Thereupon the union men retired in a huff and the acute labor trouble stage set in.

The men did not dislike the president; they simply did not know him and defiantly did not want to know him. I say the men did not want to know him. It would be more accurate to say that they refused to know him. They were stubborn although they did realize, in a way, that it was disagreeable to work under an armed truce. Time passes heavily when there is no joy in the work and every man, I do not care who he is, would rather enjoy working than find it a burden.

The president was sincere in his desire to have a complete understanding with his men—I knew that—otherwise I should not have attempted to work with him. You can take it as absolute that there can be no decent relations between employer and employee if either wants to "put anything over" on the other.

After spending a few days talking with the men, wandering about the shops and getting all of the conditions fixed in my mind, I called a mass meeting in the company's time. To it came every

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officer and employee of the company. Every person on the pay roll was there. Probably they would not have come had the meeting been held at noon time or at any other period when the minutes were paid for by the men and not by the company. If the holding of any kind of a mass meeting for the betterment of an organization is worth while, then it is worth paying for and it is the company and not the men who should do the paying. I planned for no formal meeting. We did not hire a hall nor did we have a platform from which any one might take an exercise in oratory and talk *down to* the men. We simply grouped in the biggest shop. I cannot say that there was anything particularly inspiring about the atmosphere.

The workers were willing to hear what I had to say largely for the reason that they were being paid for the time, and as between two evils, they preferred listening to me to working. I spoke to them carefully, simply, and as one of them. I did not assume that the company was right and they were wrong; neither did I tell them that they had nearly all the known virtues and that we were meeting largely to shake hands with ourselves over that fact. A workman is a human being; he knows perfectly well that he is not a paragon

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of virtue and however much he may applaud any one who tells him that he is, right down in his heart he feels that the speaker who emits such persiflage is no better than a fool. A normal human being will take great gobs of "soft soap"; he will even follow leaders who do nothing but ooze such stuff; but out of all my experience I have yet to find a workman who does not consider himself first as a man and only secondly as a workman, and who does not know that as a man he has no greater share of attributes divine than is commonly dealt out to humanity in general.

I told the crowd that things were not going well, that they were not doing their work, and neither they nor the company were getting as much out of life as each had a right to expect. "The trouble is," I said, "you are working at cross purposes. The company is going one way and you are going another and it is not necessary for me to explain to any of you that a cart cannot get anywhere if it is being pulled in different directions. It is not anybody's fault—it is everybody's fault. You are to blame and the company is to blame, or, if you would like better to put it in another way, you are not to blame and the company is not to blame.

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"I think that I know what the trouble is and I am here to help you and the company to help yourselves. I shall not ask you to do anything except listen and ask questions. If you think I am on the square we will have more meetings and work this thing out. But if you think I am trying to put anything over on you, say so. This is your meeting and not mine. By your vote you can take me or leave me.

"I think the trouble with this company and with you is that we have no common business policy—a single policy which will be that of the company and of every man in this room. Did you ever think how easily matters would run if both the company and yourselves were working along the same lines? If you were all out for the same thing and willing to work together in the fairest, squarest manner? If we have a policy it should be put down in black and white and hung up on the wall. You can carry copies in your pocket, and you can make it the rule of your conduct in everything.

"I am not going to give you a policy—I am going to ask you to adopt one for yourselves. It will have four corner-stones and a cap-stone but I am going to suggest only one a week. We will

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take one today, talk it over, and then vote on it. If you vote "Yes" we will lay the second corner-stone a week from today and then you can vote on that. But if this corner-stone or those which we may talk about on any later day, does not suit you, I expect you to vote "No" and we will quit. There is absolutely no use in having a business policy unless everybody agrees to it, and by everybody I mean not only the president of the company but also the truck men and the office boys. I suggest, as the first corner-stone—*Justice.*"

I talked about Justice; what it means in our daily life; that we cannot expect Justice unless also we give Justice. That it is two sided; that it causes a square deal all around—on the part of the men as well as on the part of the company. Then I offered this resolution to be adopted as the first corner-stone of the policy:

We, the Employees, Officers, and Directors, recognizing that Justice is the greatest good and Injustice the greatest evil, do hereby lay and subscribe to, as the first corner-stone of our policy, this greatest of all good.

JUSTICE

The fullest meaning of this word shall be the basis of all our business and personal dealings—among ourselves as individuals, between our company and those of whom we buy, and between our company and those to whom we sell.

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Justice shall be the first Corner-stone upon which we agree and determine to construct broader character as individuals and broader commerce as an institution.

We recognize that justice to ourselves necessitates taking advantage of every opportunity to do the best that is in us, and each day improve that growing ability.

We realize that merit must be recognized whether in ability or merchandise. With this assurance we cheerfully, hopefully, and courageously press forward to certain and unqualified success.

The men were interested. Some of them had thought of justice only as another name for law, somehow mixed up with courts, bailiffs, prisons, or judgments. Others had thought of it as a fine thing to have around—like a Bible. But I believe it had not occurred to any one that it was something which might be used on each day and every day of the year. They talked it over among themselves and with me. They wanted to know if the resolution meant what it said or if it was only a lot of words. Finally they adopted it unanimously. We adjourned for a week.

During the days following I could note a change; it was a different crowd of men that came to the next meeting. Where they had been doubting they were now inquiring. They were opening their minds. At the second meeting we

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adopted the second corner-stone—*Coöperation*—in these words:

To accomplish the greatest possible results as individuals and as an institution we find Coöperation a necessity.

We recognize that business without Coöperation is like sound without harmony. Therefore we determine and agree to pull together and freely offer, and work with, the spirit of that principle—*Coöperation.*

So we shall grow in character and ability and develop individual and Commercial Supremacy.

Differences of opinion shall be freely and fearlessly expressed, but we shall at all times stand ready to *Coöperate* with and heartily support the final judgment in all matters.

In the successive weeks we adopted the remaining corner-stones of *Economy* and *Energy*, thus:—

ECONOMY

As each moment is a full unit in each hour and each hour a full unit in each day, so each well spent unit of thought and well-spent unit of action makes for each victory and the final success.

When the hour, the day, the year, or the life is filled with well-spent ability, and an institution is composed of individuals who recognize the value of and so use their time, then success is controlled and governed and there is no longer vague uncertainty or a blind and unreasoning hope.

Life is like a bag in which, each moment, we place a unit of value or of rubbish, and our present and future happiness depends upon the contents of that bag.

Recognizing that *Economy* is time, material, and energy well-spent, we determine to make the best use of them, thus so shall time, material, and energy become our servants while we become the masters of our destiny.

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ENERGY

As Energy is the power back of action, and action is necessary to produce results, we determine to *Energize* our minds and hands, concentrating all our powers upon the most important work before us.

Thus intensifying our mental and physical activity, we shall "Make two grow where one was," well knowing that our Individual and Commercial Crop of Results will yield in just proportion to our productive and persistent activity.

This power of Energy directed exclusively toward sound and vigorous construction leaves no room for destruction and reduces all forms of resistance.

Having all our corner-stones in place, in the fifth week I summed up all that had gone before. I told them that we had the solidest foundation in the world to build on, one that could not be shaken. It only remained for them to put on a roof or a cap-stone and then we should have a complete structure that would last forever. As a cap-stone I suggested *Service*. I explained that our only end in life was service; that the only fun that we might find in life was through service; and that if we always bore in mind the four principles we had adopted and made them converge in the rendering of service we should not thereafter have anything anywhere to fear.

With yells and cheers, that crowd of men who, five weeks before, had greeted me with an if-you-

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must-get-it-out-of-your-system-shoot-and-get-it done-with look, hailed the beginning of work under what they conceived to be the new order of things. They were as one man for *Service*. Here is what we voted as *Service:*—

We believe that the only sure and sound construction of success as an individual or an institution depends upon the quality and quantity of service rendered.

We neither anticipate nor hope to be unusually favored by fortune, but are thoroughly persuaded that fortune favors the performer of worthy deeds and of unusual service, and we therefore determine that our days and our years be occupied with such performance.

Quality shall always be the first element of our service and quantity shall ever be the second consideration.

Thus shall we establish not only the reputation but the character of serving best and serving most.

Therefore, by serving admirably, we shall deserve and receive proportionately.

The five resolutions formed our business policy; it was typewritten and bound and every man in the entire organization—every officer, every director, every workman—signed it. We had additional copies struck off so that each man might carry one in his pocket as a kind of a rule book for his guidance. We hung copies around the office and the shop. We sent them to our agents. In short, we wanted every human being with whom

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we came in contact to know what our policy was—what we intended to live up to.

Having adopted a policy I explained to the men that from that time forward we were going to run that institution together; that we were going to meet once a week, tell about anything we found wrong, and then devise a remedy. That from henceforth we were all going to work together; that they were not working for the president nor for the company but that every man was working with the company and the company with every man; that there was not a single question of any kind which could not be brought up in open meeting and threshed out. That nobody was to go around nursing a grievance—that instead he was to bring it right out in open meeting; that nobody was to be fired for anything that he said or did in meeting unless the meeting decided he should be fired; that the organization was to be a democracy run by all for all.

I told them that they were going to save money under the new plan—that they were going to get more work done; that it would not be a square deal for the company alone to take the money that they had saved but instead that we would split up the savings 50-50, that is, as the books

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of the company showed savings in the cost of operation, the amount saved would be divided into two parts—one would go to the company and the other would be distributed every two weeks to the men as a dividend on wages.

They cheered and went to work with a will. The very day of that meeting, six men called on the president. They said that their gang could spare a hand. That they had tried it out among themselves and the only thing that bothered them was that none of them wanted to lose a job; if any place in the factory could be found for the sixth man they knew they could make a saving. A place was found and they made the saving.

At the end of the first month the force had cut costs of production 5½% which meant a dividend equally to them and to the company. For several months they kept on with an average dividend of never less than 5% and sometimes higher. They put their whole selves into the work.

They had been working ten hours a day, six days a week. A resolution was offered that the working day should be nine hours. Immediately the objection was raised that it would not be fair to the company to ask for ten-hours' pay

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for nine-hours' work, that to make such a request would be violating the corner-stone of Justice. A workman spoke up:

"If we can do in nine hours what we used to do in ten hours, then we can work nine hours and yet live up to our principles. The only way to find that out is to try it. I propose that we try the nine-hour day for a month."

The meeting passed that resolution. The factory turned out more work in the nine-hour day than in the ten-hour day; the piece workers who composed 83% of the force each individually made more money, and of course there was a bigger dividend than ever to cut up because of the "overhead" saving on the shorter day.

After running along for some months on the nine-hour day, several of the more progressive spirits proposed the eight-hour day with a half day off on Saturday. But this was too much for the conservative piece-work element. Charlie, one of the best workers, announced definitely that he could not do in eight hours what he was now doing in nine and what he had been doing in ten. He was at his absolute limit and that if the hours were cut he was going to lose money.

The company advocated the reduction to nine

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hours and also to eight hours. When Charlie had finished his speech the president asked him:

"Do you need another press? Could you get more done if you had another press?"

"No, I do not need another press."

"Do you need more room? Are you cramped?"

"No, I am not cramped."

"Charlie," continued the president, "I know what is the matter with you. When you leave here you go home to a shop in your own house and you work there as hard as you can till 11 or 12 o'clock at night. When you come here in the morning you are a tired man. You do not know that you are tired, you think that you are fresh, but as a matter of fact you are tired. I think that you can do more than you are doing if you cut out your outside work; and that you will make more money right here than you do now with your work outside and your work here."

The meeting resolved to give the short day a two months' test. If, at the end of that time, the men's wages had fallen, or production costs had risen, breaking into the dividends, then they would go back to nine hours.

At the end of the first thirty days every piece worker in the plant received a bigger wage than

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he had ever previously earned and, in addition, there was an 8% saving on production and another wage dividend—the best which had yet been declared.

How did they do it? Did they slight the quality? No, quality was the first consideration. I heard a new man challenge a fellow-worker:

"Bet you a cigar I can beat you done."

"Not on your life," came back the reply, "a fellow's got to be careful on this job. You can't slight things around here; just get that idea out of your system and you'll last."

The quality was so much better than before that the company could not keep up with its sales.

The men made the savings by being interested in their work, by putting themselves into it, and by diverting all the thought and energy which they had formerly used in the development of the fine art of loafing to bettering the processes of manufacture.

One of the most important parts of a piano is the sounding board. The wood must be exactly seasoned and it had always been thought that it had to be made by hand. Seven boards was considered good ten hours' work. The men de-

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vised a machine to do the work better and quicker than by hand. The president had it built according to their designs. It was shaped something like a banjo—they called it "the banjo." With it one man easily turned out sixteen boards in an eight-hour day—boards which were more uniform and in every way better than the hand-made ones!

The spirit of "getting by" dropped out of that plant. At one of the meetings a workman suggested that the company employ an efficiency engineer to teach better methods. This was startling enough in itself, because the very name "efficiency engineer" is anathema to the average union workman—it brings up to him only inhuman and unhuman "speeding up." But the men took the suggestion seriously. They did not jeer. They had open minds. They discussed the possibilities until one exasperated spirit burst out:

"Hell, we have 268 efficiency engineers right here now!"

That ended the idea of hiring an outsider. The meeting voted to post signs—"We have 268 efficiency engineers in this plant"—the conservatives ruled out the emphatic introduction of the coiner of the slogan as tending toward ribaldry. There were 268 employees and there were 268

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efficiency engineers! They made themselves such. Look at this report. It came, not from high-priced specialists, but from the men in the power plant working as self-appointed industrial engineers. Would it be possible anywhere in the world to parallel it?

I know you are interested about the cost of operating our power department and the savings that have been obtained in the last couple of years. In the year 1912 there was a great leak in the power department for the cost of coal in said year was $8,967.12 so our department started out to repair this leak, so we of our department all took upon our shoulders the responsibility of efficiency engineers, and by all pulling together we obtained a 31 per cent. saving in 1913 or $2,735.15 as we had reduced the cost from $8,967.12 to $6,231.97. We also worked to better water conditions for the cost of city water

in 1912 was	$309.91
we reduced the cost in 1913 to	31.82
or a saving of 90 per cent. or	$287.09

By reducing the amount of coal used we saved two men's labor, which men we placed in other departments. The way we saved those two men's wages was we cut down from two firemen to one and that one fireman had it easier than either of the two firemen had it for we cut down from 4 boilers to 2 boilers and by re-arranging the pipes throughout the factory and around the boilers the one fireman had a nice position. The other man we done away with was a man hauling in coal and unloading it. How we done away with this man was by making a test on our boilers with a couple of different grades of coal and we found a coal that cost just as much but had

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more B. and V. in it and besides they delivered our coal as we needed it and that saved the job of a man hauling in the coal.

There was another saving obtained through not using so much coal, for in the year of 1912 we had to pay a man $4.00 a week for hauling away ashes which amounted to $208.00 a year. Now we can give all the ashes away that we make and by testing the coal we found out that the old coal that we used to use went as high as 8 per cent. ashes. The coal we now use runs between 2½-4 per cent. ashes.

The cost of coal per piano during the year of 1912 was $4.98 per piano and in the year of 1913, $4.26. We are not stopping at these figures for we figure for the year of 1914 to obtain a 50 per cent. saving in coal over the year 1912 and also to reduce the cost of coal per piano from $4.98 to $1.10 per piano. And to have no city water bills at all as we are using our own well for watering purposes. So in one year's time we patched the leak in the power department to a great extent, but this year we are going to put a good patch on the leak. The savings obtained in 1913 were as follows:

Coal	$2,735.15
Water	278.09
Saved on ashes	208.00
One fireman	800.00
One yard man	600.00
Oil on engine	35.00
Total	$4,656.24

There is no use in stating what changes took place, to make these savings, but it shows how a few men working as one can get better results. And the boys are working their heads to make a 50 per cent. saving in fuel in this department this year, and nothing less will do.

Below I will state the amount of piping and machinery in

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the factory and then will write two tests that we made, one in August, 1912, and the last on April 27, 1914.

There is 4,605 feet of different size steam pipes or
62,608.07 square inches cross section area
26,832 feet pipe used in heating factory of
which 25,338 linear ft. of 1 in. pipe used for coils the
remainder 1,494 feet is main lines leading to the coils
There are 1,310,496 cubic feet of space in factory heated by
31,437 linear feet of steam and heating pipes
4 boilers area openings
106,643 sq. inches, area of steam lines taken off of boilers
48,899,338 There is six miles of steam and heating pipes in the factory.

Sizes of Lines taken of boilers:
1–5in. line for a 150 H. P. Base Noncondensing engine
1–3½ in. line fire pump
1–3 in. line for the heating system
2–2 in. glue lines
2–1¼ in. lines for two boiler feed pumps
1¼ in. line for 4 dry kilns
4 boilers 54 per cent. rated H.P.
385 H. P. Builders Rating
7 hour test

Tests made August 18, 1912
8200 lbs. of coal fired
1165 " ashes
7035 " combustible matter
1171 " coal fired per hour
1005 " less ashes
43625 " water used
6232 lbs. water per hour
698 cu. ft. of water
167 lbs. of ashes per hour
14–9/–82% per cent. ashes

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Economic results on this test are 1 lb. of coal to 5.3 lbs. of water per hour

Test made April 27, 1914
duration of test 7 hours
Crane Creek coal used
Economic results 1 lb. of
Coal to 11½ lbs. of water
Coal burned 3,517 lbs.
Total evaporation 40,500
Water per lb. of coal 11.5
Ashes 1153
Per cent. ashes from coal 4–⅓ per cent.
Rated H. P. boilers 2825
Rated H.P. generated during rest 60 per cent.
Boiler room temperature 78 degrees
Steam temp. in boilers 331 degrees
Water temp. in boilers 210 degrees
Coal burned per H. P. 2 8/10 lbs.
H.P. developed 171

Today we are operating on two boilers easily and two years ago we had a hard job to run with four boilers with the same amount of piping in the factory but these results were obtained through using our heads as well as our hands. All the boys have it easier today than they ever had it and getting better wages and less hours.

From your friend————————

P. S. One of the Happy Family.

This letter would do credit (except for the English) to any graduated mechanical engineer. Can you think of ordinary mechanics becoming so scientific? These men in the boiler room had been ordinary mechanics; to make good the "efficiency engineer" title they had studied the

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best practices in boiler economy. They studied every minute in order to make their jobs better.

The average employer loses a deal of money through the unstable qualities of what is called "unskilled labor." It comes and goes like the four winds of Heaven. This company had its share of such trouble. The men themselves changed all that. They abolished "unskilled" labor. When you stop to consider it, all work is "skilled." Every job can be done well or ill. Skill can be used in anything. The unskilled laborers of the factory caught the ideas in the air and became skilled workmen. Truckers found that there was more than one way to load and haul a truck. Shovellers discovered that a shovel was something to conjure with. The man who did not have brains enough to make a skilled task of his job received instruction from those who did use their heads as more than supports for hats. The man who came into that shop and acted as if he were working *for* and not *with* the boss soon got his awakening. The men held a slacker as no better than a thief for he was stealing from them by helping to cut down dividends.

The original trouble in this plant, the big

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quarrel, had been brought about, as usual, by a reduction of piece rates. A worker never knows how to act on a piece rate. If he does exceptionally well and makes a high wage, he is afraid that his rate will be cut; if he falls below a certain production, he fears that he will be fired. Therefore, since two thirds of all piece rates are set without exact knowledge, the average worker makes a game out of beating the rates. Sometimes he wins and sometimes he loses. Neither he nor the management is ever satisfied. But here it was to the interest of the workers themselves to have a fair rate. They knew that a fair rate would not be changed because they themselves were the only people who could change it. The corner-stone of Justice insured fair dealing. Therefore they studied rates. One group had been producing units at 42 cents each. They devised certain ingenious jigs and also they cut out a deal of lost motion. After having given their improvements a fair trial they suggested that their rate be cut to 11 cents. At 11 cents each of these men is making more money than he did at 42 cents and with less physical labor!

These remarkable savings—and I have only

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spoken of a few of them—were as nothing compared with the heightened *morale* of the force. The men were heart and soul for the company. It was their factory and their company, and they had a hand in governing it. There was no information that the weekly mass meetings could not have for the asking. But they were so absorbed in making a better company for themselves and getting their own dividends that they did not bother about any matter in which they could not assist. Only once did they go into any affair that did not involve strictly a production problem and that was in the year 1914. Everyone recalls the way that business was palsied by the outbreak of the Great War. The sale for pianos stopped. The warehouse began to fill up, the outlook ahead was dismal. The president did not want to shut down or run on part time because he did not want to inflict a hardship upon the organization; at the same time the company could not continue to manufacture at full speed without making sales. It was a delicate question. It bothered the president; he planned to present the whole case to the men. But he did not have to; the general assembly took it out of his hands. In September, 1914, a cabinet maker read this letter in meeting:—

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To the Boys in the Factory:—

The present situation and condition of the country does not look very bright, and the general feeling is, the worst is yet to come; but let us hope not.

I take it for granted that we are all interested in the welfare of this factory, and are willing to make a little sacrifice for its interest and to put Mr. Bond at ease to know that we know what he does is for the best. It is not a pleasant matter to tell us that we will shut this part, or that part, or the whole factory down for a few days, so when these conditions come up let us greet them in a cheerful way. Mr. Bond has proven a worthy master and if we trust him at the helm he will steer us through these troubled conditions. (That's Justice.)

As a suggestion, I think if we take a day or so off now and then would help a great deal. Take a day or two extra on Labor Day instead of waiting and getting it all in one lump, what is liable to follow if we don't. What do you suggest? Now is a chance to coöperate. (That's coöperation.)

The president was astonished. He was astounded at the animated discussion that followed. He realized that he was nearly an outsider at that meeting. Instead of discussing how long the company could continue to pay full rates, the meeting took the attitude of inquiring how little the workers themselves could get on with until better times came around!

First, all the foremen volunteered to reduce their own wages 25% for the time being. Then the meeting, after debate, decided that it would be more economical to work part of the week than

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to reduce the force and they proposed that the factory run only during three days of eight hours each. The president had to argue against such drastic economy. He assured them that they could get along on a four-day week. The workmen were not inclined to believe him, but, after he produced facts and figures, they gave in to the extra day—to a four-day week.

The factory went on under the limited schedule until times began to pick up in 1916. Out of the former force 168 men then remained. One hundred had been unable to meet expenses on the reduced wage and moved away from the town to take other jobs. They drifted off gradually and without disturbing the organization. As business began to liven, the president brought before the meeting the question of hiring additional men. He was opposed. The workers declared that for the present they could attend to everything and it would be time enough to talk of hiring new hands when they had more than they could do. Business increased; it is still increasing but more men were not hired. At the time of writing this account, the factory is doing a larger business than at any time in its history and the work is being done by 168 men.

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That is, these men have, in their rôle of efficiency engineers, so increased their individual and collective efficiencies that they are doing not only their own work but more than the additional work that was formerly done by an extra hundred men.

They are not speeding up, they are not slighting quality. Not one of them is working harder than he did before, but by employing their brains to the very fullest extent, by making themselves a part of the company and the product they have gone to lengths that a few years ago would have been considered as wholly beyond possibility. The men are making money; the company is making money; the wages and the dividends as earned by the workers are larger than those earned by similar workers in any part of the country.

They have made an institution. It is rare indeed for a man to leave for any reason other than death or disability. What is commonly known as labor turnover does not exist and this, mark you, during a period when an alleged shortage of workers and the irresponsibility of "cost plus" contracts made by the Government has caused employers to bid recklessly for any man who could handle tools.

The workers have their own family and they

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insist that every member of that family live up to the business policy of the company. If any one lags he is promptly informed of the fact and his own fellows suggest to him that he wake up or get out. If any man has a grudge against the management and prefers to mutter about rather than bring it up in meeting it is his fellow-workers who insist upon a showdown.

The meetings are now held monthly because not enough happened to require the continuance of weekly gatherings. They discuss all sorts of things; when they have nothing else to do they swap stories or just "hot air." Once they took it on themselves to investigate the president. He had not taken a vacation within their memory and they decided that he needed one. They passed a resolution granting the president three weeks' vacation and intimated that they expected the president to regard their wish in this respect as law. He declared that the company could not function without him. They came back with the assertion that they would do better without him. He took the three weeks' vacation. When he came back he found that all previous production and sales records had been beaten!

This is in many respects an almost unbelievable

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story. It is wonderful to any one who has been accustomed to regarding the workman as a soulless being, but it is not wonderful when one considers what is really at the base of good work. Let Mr. Bond, the president of the company, give his own explanation. He says:

"We used to build pianos. Then we stopped building pianos and began to build men—they have looked after the building of the pianos. We have adopted as a slogan for the Packard Company 'If there is no harmony in the factory there will be none in the piano.'"

And so strongly does the president believe in his statement that it is the men, not the company, who are responsible for the success that he hopes to devise ways and means for the men themselves to become so financially interested that they can guide and control the company. I cannot better summarize the results of the work here than the men themselves have done. They formally stated that a democratic administration, guided by fair business policy, has accomplished these ten things for them:

1. Reduced working hours.
2. Increased the output.
3. Produced better instruments.

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4. Increased workmen's income.
5. Put the whole man to work.
6. Done away with misunderstanding.
7. Given each man a share of the responsibility.
8. Made real inventors of many workmen.
9. Instilled a spirit of genuine comradeship into the entire organization.
10. Established a new kind of democracy.

But what of the union trouble, what of the closed shop? What happened to the original grievances?

They got lost in the shuffle.

There are no differences between the men and the company. The men have made their own wages higher than they could possibly ask through the union; they do not need outside rules because they make their own rules. The men and the company being one, no room has yet been found for an outsider to wedge into.

"*If there is no harmony in the factory there will be none in the piano.*"

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CHAPTER IV

OUT OF A CONFUSION OF TONGUES

HOW did the superintendent of construction feel, what did he say, and what did he do when the curse of languages descended upon the Tower of Babel job? Did he make an effort to sort out and reorganize? Or did he just quit on the spot.

Over at William Demuth & Co., at Brooklyn Manor, Long Island, we had nearly every feature of the Biblical story except the tower. We had nine hundred men and women; about half were Italians, a quarter were Poles, and the remaining quarter covered nearly all other nationalities, with a very slight sprinkling of Americans. Many of the force could speak no English and those who claimed to speak English had very sketchy vocabularies which, under pressure, spluttered into their native tongues.

The factory made smokers' pipes and had been founded sixty years before in a small way by William Demuth when all pipes were being imported.

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It had grown steadily until it produced a majority of the smoking pipes sold in the United States; it had spread from a little back room in lower Manhattan to a splendid modern building in a Brooklyn suburb. In the beginning it employed foreign pipe makers; there are only a few pipe factories in this country and few native pipe makers, so it was very seldom that trained workers could be hired. The operators must be trained.

The work of making a briar pipe is not arduous but it is tedious. Here roughly is the process. The briar wood comes in various rough shapes and sizes and often has many natural imperfections. The pieces are sorted to size and shape and then roughly cut into a pipe form which is called a "stummel." The stummel is then bored and goes on to be formed and polished. The forming is done by hand against whirling disks covered with sandpaper. In this process various knot or insect holes are uncovered and these must be patched with a special kind of putty which will take a stain and blend into the coloring of the wood. A high-grade pipe has no patches and a cheap briar many of them. It is the perfection of the wood as well as the workmanship that largely determines the quality. The finished bowl

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goes on to be mounted with a base or precious metal and finally to have an amber, hard rubber, bone, bakelite, or other bit inserted. The company makes pipes from woods other than briar and also from meerschaum, but all materials go through substantially the same process except that meerschaum and calabash require most delicate handling. Most of the work has to be done by hand and even a slight mistake will either ruin the stummel entirely or at least take dollars off the selling price. Americans do not shine at careful hand labor; the industry is an imported one anyway and it has always drawn its labor largely from the immigrants who used to flock into New York.

Until the Great War shut off immigration, labor conditions were not serious. Men or women could always be had and although they came and went, the wages were high enough and other jobs sufficiently difficult in the getting, to hold a workable force. But war conditions brought a change. These operators were highly skilled in one task; they could in normal times work outside only as laborers and many of them were too slight physically for the outdoors; but when the demand for war workers became great, and any one could

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get a job at high wages, they drifted away to the munitions plants.

We fondly imagine that our immigrants come to us to be under the flag of Liberty. Some of them do. But the majority come for the dollar and with a fixed intention of going back again when they have enough dollars. They work solely for the high dollar. They care for their employer in so far as it affects the number of dollars earned. We have taught them to put the dollar ahead of the work by treating them as impersonal things to be rented as cheaply as possible. It is not strange that the Russians who went back for the revolution found nothing to praise and much to blame in our institutions; they had seen the United States through a sweat shop window.

This particular factory was not a sweat shop in any sense; it had above the average amount of light and air. The workers were treated well—much better than in any institution I know of employing foreign help—but they bore an impersonal relation to the company. And when high wages were offered outside, they left. New employees had to be hired and they were progressively of a lower and lower class—the men and women who were too ignorant to find better jobs

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or who stopped in at the factory only until they could get something better. They were unruly; few cared if the work were good or bad. They were content to "get by" except for a sprinkling of older men who had been employed for years and were past the age when they could venture to seek outside employment. These men did their work well by habit; but there were precious few of them.

The problem was to get this polyglot crowd interested in their work, to make them one with the company, to introduce a spirit of coöperation which would reflect higher and happier pay for the men and a better product for the company. It was a serious problem.

I know that one concept is international; that every human being, every dumb animal responds to it. It is expressed in the one word Justice. If that idea could be sent across, no longer would there be a problem. But how could it be put into the minds of men who knew not Justice; who had bent their backs to injustice from the day of their birth; whose nearest word to it was revenge? It could not be established by preaching. These people were elemental. They could learn only from example. If we wanted Justice, Coöpera-

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tion, Economy, Energy, and Service, we should have to "show them."

If I could establish Justice as a principle for daily guidance, every other matter would adjust itself. I brought all of the people together in the biggest department of the factory to try to explain Justice as a living, breathing guide.

It is not so difficult to meet and overcome opposition when it is articulate. Then at least you have something definite to combat. But with a crowd such as this the opposition was sullen and unintelligent. Many could not understand what I tried to tell them, while others, I think the majority, had become so accustomed to having things "put over" on them in their daily life that they were frankly suspicious and hostile. We commonly do not realize that our welcome to the immigrant consists in "taking him in," in "handing him something good." I sensed all of these things in the air. I should have been relieved had a few men spoken against the plan—had actively opposed it. But they did nothing of the sort; they just sat around and listened; some blankly while others glowered. We adopted the first corner-stone of Justice unanimously, it is true, but without other than formal enthusiasm. The

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Italians cheered because they naïvely like a celebration; the Poles said nothing.

I explained the dividend system; just how we intended to work together—that we should not only govern ourselves but that of all the savings made in the cost of production, one-half would go to the company and the other half to them. They asked a few questions about this—a few details of the hoax they suspected we should play on them. They did not believe me. The more experienced men in the crowd had long been familiar with the promises of political candidates and, since we were going to have a kind of political organization, I think they took it for granted that it would be managed along political lines and therefore no promises whatsoever would be kept.

In successive weeks we adopted a business policy defining and adopting, after Justice, the three main corner-stones of Coöperation, Economy, and Energy, and finally the cap-stone of Service. Then we organized, with this policy as a kind of constitution, a government on the same lines as that of the United States. We formed a Cabinet consisting of the executive officers of the company with the president of the company as president of the cabinet. The legis-

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lative bodies were a Senate made up of department heads and foremen, and a House of Representatives elected by the employees. The elections to the House were by departments—one representative for each 25 employees, or, in the case that a department had less than 20 employees, it combined with another small department. The various bodies elected their own officers and adopted by-laws covering their procedure. The House had as officers, a President, a Vice President, a Secretary, and a Sergeant-At-Arms; and these standing committees: Program, Imperfect Material and Poor Workmanship, Suggestions, Publicity, Safety, Flag, and Educational. The official make-up of the Senate was similar to that of the House.

I tried to make it clear to everybody that henceforth we should be governed exactly as the country in which we are living is governed. They were told that all complaints, all grievances, all disputes over rates or wages, should be presented to their representatives in the House who would take them up in meeting, and after a fair and open discussion, try to arrive at a just decision. That all laws and measures affecting the conduct of the factory would have to pass the House and Senate

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and be approved by the Cabinet. That they were now under democratic rule—under their own rule, and they were expected to make right use of the powers that had been given to them.

This aroused at least some interest. I think that most of them were curious to know what was going to happen. I cannot say that they had more than a curiosity. Without knowing it, they began to work a little better than they had, for at the end of the first two weeks we found that we could distribute a dividend. That dividend was real evidence!

Their initial interest was purely financial. These people had no practical and precious little theoretical conception of democracy. The Poles had been born under the rule of old Russia. They knew law and government only as something which restricted and punished. Representative government meant nothing to them; they had heard vaguely of various assemblies but had never discovered that the form of government made much difference in their actual condition. Of course they had lived in the United States; some of them were naturalized and had voted; but without any particular idea of what it all meant—certainly without a conception that the

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voter was the ultimate ruling power. They were in America to make more money than at home. They cared little for theory—any one might have the theory, they would take the cash. For co-operation in the abstract they cared not at all. The dividend taught coöperation. For instance, a number of men decided to celebrate an Italian holiday. They stayed out. At the next meeting of the House of Representatives it was announced that the dividend would be only 12% but that it would have been higher had not so many men taken a holiday. That is, a man who earned $20 a week got a dividend of $2.40 instead of $3.00—he lost 60 cents because some other fellows did not work. It is one thing to leave a shop knowing that only the company and yourself will lose money by your act, but it is quite another matter to realize that your fellow-workmen also lose money—money they need. The dividends are the most practical and forceful argument for coöperation. They reduce talk to the universal common denominator —to saying something like this: "Because Pete and Tony stayed out three days you fellows lost 20 cents each."

The workers ventured into industrial democracy searching for cash; they stayed because they

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liked the idea. They saw and learned—but slowly.

The representative system did not work smoothly. Some of those who had been elected did not attend, while others fell off in their attendance because their fellow-workmen, although electors, jeered at them. The House members were supersensitive—they were as temperamental as prima donnas. The minutes show some of the troubles. Here is what one session of the House had to contend with:

Miss Faivre stated that she had interviewed Mr. Cortegiano who said that owing to the trouble he had with Mr. Trunk three weeks ago, he thought it wiser to resign, and the fact that a record of this mix-up had been included in the minutes of that meeting, he had decided to resign. If this had not been added to the minutes, he would not wish to resign.

Mr. Thome reported that Mr. Cortegiano said that he was not smart enough to mingle with the other representatives, and that, as this was no government house, he thought it unnecessary to hand in an official resignation and had just stayed away from the meetings.

The President was of the opinion that this was a sign of insubordination.

The committee was instructed to tell Mr. Cortegiano that the minutes of each meeting must consist of everything that is performed at each meeting, and that this is an unreasonable excuse; also to assure Mr. Cortegiano that he is perfectly welcome to come back to the House. Miss Faivre was directed to report at the next meeting.

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Mr. Reina of the Polishing Dept. handed his resignation to the President, which read as follows:

"I beg to present to you my resignation as representative of the Polishing Dept. for the following reasons:

"Friends who desire an increase in the price of pipes come to me continually. Mr. Steiler and myself spoke about this to the foreman who told us that all the men desiring an increase should give in their names, and he would give them to Mr. Feuerbach. We accordingly did this and gave the foreman a list. After a few hours, he feared to present the list to Mr. Feuerbach. The workers became indignant and demanded my resignation. I believe it is superfluous to add that the increase is asked on account of the exceeding high cost of living.

(signed) GIOVANNI REINA."

Mr. Reina and Mr. Steiler explained that this had happened over two weeks ago, and no reply had been received. The meeting said that this was an injustice on the part of the foreman; it was wrong to direct Mr. Reina to make up a list, and then do nothing in reference to it. It was moved that the House should not accept the resignation of Mr. Reina, as he was doing his duty. Mr. Moll seconded this motion, and the resolution was carried.

A few members quickly caught the theory of representative government. Of course at first they believed that the whole idea was a fake. They came to show us up, but they turned out to be the real constructive force. They had to be convinced; but once they had a conviction of our sincerity, they were willing to go to any length to make the experiment a success. They knew

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and were in touch with the mass; they knew the mass psychology.

For instance, half a dozen men who could not speak English walked out. We took it up at a House meeting. One of the "agitators" explained "These fellows do not speak English. All that they know how to do when they do not like anything, is to strike. That is the only way they can express themselves."

The House appointed a committee to investigate and traced the whole trouble to some trivial error of allotment in the work; it had not been called to the attention of the head of the department. The committee hunted up the men, talked to them in their own language, and had them back within a few hours. This incident brought up the importance of having a single language in the plant instead of half a dozen. The House was discussing a house organ for general circulation in the factory. Read the minutes:

Someone asked whether it would be advisable to have the paper printed in different languages. The people who live in this country must speak English some time and they might as well learn now. If we keep on printing in different languages the people will not learn to speak English. We ought to print it in one language only—English.

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Take another case. It is the custom in nearly all factories employing foreign-born people to post signs in the varied tongues of the workers and some foremen are retained largely because of their knowledge of the languages. The representatives decided that this practice must be changed. They resolved that all foremen should give instructions in English and only in English. That the same rule should apply to all notices; that this was to be known as an English-speaking shop and that any one who did not understand the language should learn it. To help those who wanted to learn, they asked the company to provide classes for the teaching of English. These classes are now doing splendid work.

They were determined that no dividends were going to be lost in that place just because some of the people could not understand what was going on.

Unhesitatingly I say that the dividends were the first feature of the new plan to awaken interest—they were our first "point of contact." It is not cynical to say that the easiest way to reach any one's heart is through his pocketbook, though it must be borne in mind that merely putting money into a pocketbook does not, in natural sequence,

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reach the heart and attract the interest. Increasing wages may cause the recipient to think that you are generous, more than likely it will convince him that you are an "easy mark." Neither conviction makes for good work. Wages must be based on service rendered. An overpaid man has as little of the coöperative spirit as one who is underpaid.

That mass of men awakened to the knowledge that there was justice in this world through the stimulation of the pay and dividend envelopes. But not because of the contents—because of the essential justice of the sums.

A group claimed that their rates were unjust, that with a certain style of pipe, a man might make a third more in a day than with another style; thus the distribution of work and not the ability of the workman controlled the day's wages. Under the old system this complaint would have been directed to the foreman and he would have said "Yes" or "No" and his answer would have been final. Under the new system the complaint went to a representative and he brought it up before the House. The House appointed a committee, they fully investigated and tendered a report stating just how and why the rates were incorrect

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and recommending certain changes. The bill then went to the Senate, was passed by it, and finally approved by the Cabinet. The original complainants grasped the justice of all this. Not only were they satisfied with the specific action but they found a sense of future security. Other wage complaints came up, were similarly investigated, and decisions arrived at. Some of the decisions were affirmative and others negative. Formerly, when a foreman refused, discontent had followed. But the force of public opinion now sustained the democratic decisions.

Slowly the spirit of justice began to percolate through the organization. The mass awakened; the foremen awakened; all of them began to realize that there were merits in self-government. The people learned that they had their destinies in their own hands. The foremen learned they could make good showings in their departments only by leading and not by driving the people under them. The superintendent of the factory began to thaw out. He had held that the factory force was a working army and should be ruled with stern, military discipline. But justice got him! He mellowed; he began making, although at sufficiently long intervals, remarks that

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were not reprimands. And as he progressed on the road to humanity so, keeping pace with his own progress, went his popularity and authority. Where he had been hated he was liked, and nobody appreciated the change more than did he himself.

In the patching department, where they putty up the defects in the lower grade pipe bowls, was a group of middle-aged Italian women. They all had hair-trigger dispositions and, their work being monotonous, were always on edge for excitement. Their leader was Rosa, a brawny Amazon of perhaps 34 with flashing eyes set in a round, swarthy face out of which could race countless words per second. I had taken pains to make myself popular with Rosa and her companions; I knew that their force for destruction might, rightly directed, make for construction.

We had in a committee meeting been discussing poor patching. I asked one of the Committeemen to point out to Rosa that she was not patching to the best advantage. He did not like the assignment but I promised to join him in the department. I entered perhaps a minute after him. I saw a wild Rosa on her feet.

"You no like my work?" she shouted. "Come

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on, girls," and in an instant the whole department was up, rallying around Rosa.

The Committee-man hurried to Rosa, glaring and defiant, at the head of her cohorts. Just as though she had been a child he took her arm: "Aren't you ashamed, aren't you going to try to help me when I'm trying to help you? Aren't you ashamed to act this way?"

She stopped talking. She dropped into a chair and I saw that she was crying.

"I do so bad. You speak so kind."

The House investigated and this is what the minutes show:

Miss Bachman came down with firsts, light seconds and good seconds that were broken out pretty good. The patching was all right but the cavity was too big. We spoke to that one woman and she had a whole lot to say. They are getting sick of us. Miss Bachman went off and I started going my rounds the same as usual trying to teach them how to take the defects out. I kept on until I came to one woman with a dozen pipes very bad putting them aside and taking only the good ones she started in to argue they were all bad. I was talking to someone else and she was still talking. All at once she held up her hand and said "Stop." I asked what was the matter. She said she was going on the strike so I told her to sit down and not do anything like that.

Mr. Smith (the foreman of that department) may have been a good piece worker but is not any good as a foreman. The House of Representatives therefore recommends that Mr.

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Smith of the patching department be given an opportunity to work in some other department of this plant, not as foreman because we consider that he is not a profitable foreman, that in his place there should be put a new foreman of the patching department. We recommend Mr. Trunk and we, the members of the House of Representatives, hereby guarantee to him our full support and coöperation to aid him in making that department a success.

In the minutes of the next meeting, the result of the change is set down:

With one or two I had a lot of trouble. One of the women speaks pretty good English and she explained everything. It is real hard. From now on things will run altogether different. In about a couple of weeks we will see quite an improvement in the pipes.

Mr. Trunk stated that he thought he would have some trouble with the Italian women but Cantoni (a Representative) told some of them that Mr. Trunk was a good man and now the worst have turned out best. Mr. Schmidt moved that we extend a vote of thanks to Mr. Cantoni for cooperating with Mr. Trunk.

In other words, the House of Representatives, composed of workers, recommended the removal of a foreman because he was incompetent! After that a foreman held his place only if he were just and competent—and no just and competent foreman was removed. That put the workers and the supervisors in the right relation. In the beginning the workers had been afraid to complain to their representatives about a foreman and if

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they did the representative was fearful of taking the complaint before the House lest it might come to the ears of the foreman and he would be hazed; a workman fears, more than a discharge, the ill-will of the foreman. It took some time to let both the workers and the foremen know that complaints were, in a measure, impersonal and stimulants to better business.

The labor turnover throughout the plant was serious; as soon as the Representatives and Senators realized that this affected dividends, they investigated. They found that in the sandpapering department, which was the largest, 75% or more of the workers left or were discharged within a period of 12 months. Of ten men taken on in one day, one left the same day, two the next day, three stayed about three weeks, and the remaining four left gradually over a period of six weeks, all stating that the work was too hard for the money. The work was hard and disagreeable, involving the shaping of the pipe against a high-speed convex disc covered with sandpaper. There are various grades to the work, one group using a very rough quality of sandpaper, the next a somewhat finer quality, and so on until the pipe becomes perfectly shaped and absolutely smooth.

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The work is expert because not only must the eye judge the proper shaping, but the hands and wrists of the operator have to be very flexible to make quickly the necessary turns and twists with just the right pressure of the pipe against the wheel. Elderly men are too stiff jointed to learn the work, so the recruits are drawn from boys ranging between 18 and 25. The work is dusty and tedious and does not appeal to the better class of young men. As a rule, less than half of the men in the department know more than a few words of English. Yet it is a critical section. They can make or mar the pipe. The least slip of the operator's hand will ruin the "stummel" beyond repair, but if the sandpapering department is not working to capacity every department after it is held up. Commonly about 125 men are employed; the best of them will earn on piece rates between $30 and $40 a week with an average of about $24. There is no fund of skilled labor to draw on for vacancies. The raw man must be taken in and taught and of course he has to be paid while being taught. The initial rate of pay is below that of the lowest piece worker; a beginner goes on piece rates when his output at piece work exceeds the weekly flat wage at which he began. It formerly took *a long time*

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to make even a second-class operator, *and* because of the long training at low wages, less than 20% of the new men stuck through to go on piece rates. The personnel was constantly shifting and the foreman in that department was always at his wits' end to keep up production.

Calculating that it cost the company $100 to train a sandpaperer, which investment was lost when the man left, it was demonstrated that the company lost through the year in this single department an amount of money, which, if saved, would pay about $14,000 in a dividend to the employees.

Those figures impressed the sandpaper shop. They set about finding ways and means to get the dividend. Their first step was to cut down the training period. They suggested that certain of the men be employed to teach newcomers. The result was that new men found themselves making a satisfactory wage on piece rates at the end of about three months. It became a matter of moment when a worker said that he was going to quit; his fellows got around him, tried to find out what the trouble was, and to persuade him to stay. Their whole attitude toward each other changed. Formerly they had gangs and cliques,

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especially the Italians; if a man became unpopular he had to get out and if he did not get out he was apt to get hurt. But all of that ended when they found that forcing a worker out was money out of pocket. That put quite a different face on it. First, they found that it was financially better to have harmony; then they discovered it was a nicer way to work.

The ordinary workman just "gets by." He seldom suggests new improvements. In the beginning he may think of how to do something better but when he makes his suggestion to the foreman he finds that it is not welcome and thereafter he keeps to himself any ideas he may have. Foremen are constitutionally opposed to change. The Senate and the House appointed a joint Committee on Suggestions and made a schedule of prices with further rewards at the discretion of the Cabinet. They got suggestions. The making of pipes had been more or less static. So much of the work is done by hand that it has adhered pretty closely to the practices of the old country. For instance, someone had, years before, invented a machine for the rough cutting of the block which later becomes a pipe. I asked if it were a satisfactory machine.

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"Yes," was answered proudly. "We have not had to change or improve it in 25 years."

There were quite a number of these machines. I felt that no machine had so nearly attained perfection that it could not well be changed in a quarter of a century. And surely enough, once the suggestion idea got about, an employee came forward with a plan for a new machine. It was built according to his designs. One man with this machine does as much as six men operating six of the old machines.

The polishing and buffing of a meerschaum pipe is a highly delicate operation which has always been performed by hand. The foreman of that department devised a machine to replace the hand movement. He demonstrated that one man with it was more than equal to three hand workers. The foreman of another department, a man who had been making pipes for at least 40 years, examining the little device, said: "This is the best thing I have ever seen in pipe making."

Look at a few more improvements that came from the men. An improved chuck for boring rubber bits increased the production about 300% and did not require expertness in operation. The old boring machine could be managed only by an

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experienced workman. A first-rate man could mount 15 dozen bakelite bits a day. Using an improved screw, the same man now mounts three gross per day and the improved screw will wear better and longer than the old one. Muslin buffs soon become hard and lose their effectiveness. Formerly they were cleaned and roughened with sandpaper and a knife. After this rough cleaning they were not satisfactory; not a few were cut in the handling and ruined. A buffer made a tool with which he could both clean and roughen a buff in a few seconds—and the renovated buff was as good as new. Under the old process of staining Congo pipes, the production was 12 gross a day. Under a new process, the production became 109 gross. Meerschaum pipes have to be finally polished after the ferrules are in place; all gold work had to be by hand because machine polishing scratched the gold. A foreman designed a metal device. The best that a good female polisher could do under the old system was three dozen a day. The work required no particular skill, high wages could not be paid, and the hand polishers were always discontented. Using the new protector and a machine one woman can now turn out from 15 to 18 dozen a day—or the

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output equivalent of five or six girls under the former method.

Go back to the patching department. The men discovered that far too many seconds and thirds were coming through. Their dividends lay in "firsts." A joint Committee of the House and Senate took up the subject. They visited the patchers. It had been the custom of the patchers to rim out a knot hole with a sharp knife and then fill the cavity with a special kind of putty. They might thus carelessly turn a small hole into a big one and transform a potential first or second into a bad third. Skill had never been at a premium in that department. A hole was just a hole. Then the committee began to plan changes—to become efficiency engineers.

They decided that instead of a rough task this was really one requiring an artist. If a dentist could fill a tooth so that the filling would remain, could they not similarly plug a hole in a bit of wood? They took a page from the dentist's book. They turned hundreds of former seconds into firsts and former thirds into seconds.

Under piece rates the workers press for quantity. A company makes its money out of quality. The emphasis in this factory was placed on quality;

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Through the dividend system the men came to know that although rushing their work and turning out inferior goods might increase their individual pay it would so decrease the mass dividend that their net return would be less than if they had devoted themselves to perfect goods. From the minutes of the House:—

Miss Madeline Wojtyniak said that the piece workers generally rush their work in order to earn more money; therefore, the work is not as good as it should be. Quantity is considered before quality with a piece worker. She moved that a committee be appointed to look into the conditions and that goods should be examined before they are polished. If the week-workers are doing the right thing the House should know it. There is about $16,000 at stake, and we are either going to save it, or continue to lose it. A committee should be appointed who understands this work, who would get together, investigate, and bring in reports. Perhaps the cure for these men is better supervision, one who will teach his people what is necessary to make goods right. Whatever ideas the committee have should be presented to cure this defect. Who gets out the greatest amount of imperfect goods? Suggest that there is a cure for this by all people being put on piece work, or week work, whichever the case may be. Then the matter can be taken up with the Senate after the reports are in.

They did attain quality and also production in a most remarkable fashion. One department had a former record of 25 gross of pipes a week with three men working. They increased their

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force to ten men and attained an average of 50 gross a day. One man turned in a record of 240 gross of pipes in one week—beating all former records. The sandpapering department increased its wages through increased production by 10% and on the quality side there was an even greater improvement. The big production—in spite of poor material—is in "firsts" and "seconds" while before "thirds" and "fourths" were heavily represented. The whole product of the company has gone to a considerably higher plane than ever before. The stress has been on quality—that has been first. Quantity has come, as a matter of course—but it has come.

And this quantity arrived during shorter working hours. They had been working 53 hours. Then they reduced to 50—with a 10% increase in production. Now they are experimenting with a 48 hour week. They are doing all this themselves and at the same time watching dividends. They have touched 17½% in dividends and they intend to go higher. They have an *esprit de corps*. They have designed service buttons. They compete by departments for efficiency records—the leading department holds the Stars and Stripes for a two weeks' period. And they

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fight hard for that flag! The buffers have pledged themselves to do 50 gross of pipes to a buff as their contribution toward saving material in war time. They now use three where they had used four buffs.

And so it goes. . . .

But mark this. That factory formerly could hardly get its complement. Now, with labor even scarcer, it has a waiting list!

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CHAPTER V

THE SUPERVISION THAT COUNTS

THE Committee on Seconds of the Shelton Looms found annually going into the warehouse a great pile of fine velvets worth $500,000—at least they would have been worth that sum were they perfect. But they were not perfect—each piece had one or more defects. The best material had gone into them; they had absorbed the usual amount of power in fabrication, they had taken their share of the big overhead expenses, but, because someone had been careless, these splendid stuffs could not be sold as the trademarked product of the company.

Of course the management knew of this waste; the foremen, too, knew about it; but neither they nor the weavers realized what it all meant—they did not stop to think that the big output of seconds had a direct influence upon wages and the steadiness of work, nor that if the company did not make standard goods, it could not earn profits. The company did make standard goods and

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it did earn profits; doing a business exceeding ten million a year, the loss on half a million of defective production was not serious in a financial sense. But it was serious as a waste which might be avoided.

Sidney Blumenthal & Co. owns the Shelton Looms. They had for years tried in every fashion to be fair with their employees. They paid current wages and worked current hours. They had fine, modern factory buildings and were not behind in any improvement. It could never be said of them that they were penny wise and pound foolish in dealing with any phase of their business. They had never had acute labor trouble or more than the usual and commonplace disagreements with their men. But they had not found a sufficiently responsive chord in the workers. And as a consequence they did not have the coöperation of the workers. Their people worked *for* them and with the inevitable result—a proportion of production which could not sell as first-grade goods.

Located in the Housatonic Valley in Connecticut they were in the big war work zone. Ansonia, Bridgeport, New Haven, and other munition towns were calling for workers and offering high wages. Other looms in the valley and near by

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were short of men. Anybody who could do anything could get a job and a weaver especially found work calling from a dozen directions. The Shelton Looms make fine velvets which require extraordinary care in every process. The good run from the very highest to a high medium grade; they make no cheap fabrics. Some of the fabrics are condemned for even the slightest flaw. It is high-class textile work in which small mistakes cause big losses. But the workers were not afraid of losing their jobs and they cared little if they did make mistakes. If a foreman tried to enforce discipline, the worker quit confident that he could get another job before sundown. They were not interested in any one job; they had no interest in anything but a pay envelope and they cared as little who provided the pay as they did who made the envelope. Weavers are natural floaters; it is their heritage. They are accustomed to being laid off in dull seasons; they normally expect to go from place to place. They have never felt that any one was particularly interested in their going or coming and finally, most of them expect to live and die as weavers. About 35% of the 1,800 employees spoke imperfect English and a fair percentage spoke no English whatso-

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ever. Very few of them had any idea of democracy or saw any reason to coöperate with the company.

Such was the soil in which the seeds of democracy were sown. In the former chapters I have largely described what was accomplished in each case. Here let the people themselves do the telling—let the minutes of the Senate and the House tell the story of what was done to better the quality of production. They give an idea, reading between the lines, of the spirit of industrial democracy:

(Mr. Richards): "I have a little matter here in regard to which I would like to say a few words. Mr. Blumenthal had me on the 'phone this morning and said 'Mr. Richards, you gave me an estimate indicating that from Sept. 15th you would do certain things. In other words, you would produce so many pieces of "first" grade and other qualities.' I said, 'Mr. Blumenthal, you are correct, but we have not lived up to our estimate.' He said, 'Give me the reasons.' I told him I would let him see the reasons on paper. In the first place, we promised or estimated that we would produce 800 pieces of the 'first' quality for which we had taken orders and had obligations to deliver. Also 75 pieces of long pile and 100 pieces of long pile silk plushes—nearly 1,000 pieces to be turned out. Since that time we have kept records which show that we produced the first week—

428 pieces instead of 800
47 " " " 75
and none of the one hundred promised.

"That is about 60%. My promise was based upon 70%

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efficiency of the finishing room and dyehouse—mainly the finishing room. The statement shows distinctly that we are not even 35% efficient. So it goes on. I have it for three weeks. The second week was a little better but not up to 50%. Last week we fell down again. There are a good many reasons for it, which can be attributed to the weaving, dyehouse, and finishing room. Through the weave room out of a total of 733 pieces we had to mark 288 pieces the 'second' quality instead of 'first,' which did not enable us to fill the orders we had. In the first place, we have been falling down about 50% on our estimated production. Besides that, we have made a second quality instead of a first quality which we were supposed to turn out. This is a serious situation.

"These matters are very vital to our business. I suggest that this matter be taken up by the House and a special committee appointed to look into the matter. I do not know whether the committee should include men from the finishing room or away from the finishing room. I leave it to the House. If we want to keep our business we must be able to fulfill obligations and orders on a certain date when due and with goods properly made."

The House Committee brought in a report and here is how the House discussed it. Much of the talk is technical, but the interest of the people is apparent. They are on their mettle.

One representative thought that part of the trouble was due to the weavers not using powder on their hands; another believed that keeping material wrapped in tissue paper would cure the trouble. Finally the discussion narrowed down

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to whether the winders or the weavers were at fault. They recommitted the report to the committee to discover whether or not all were not at fault and with a positive instruction to locate the exact cause or causes before the next meeting. They went into various other defects of the goods such as the "machine marks." One representative said that they were due to a failure to handle the loom correctly and that attention to merely one bad practice had eliminated nearly 50% of the marks within ten days. The committee gave in detail the numerous tests they had made to locate the reason for machine marks and the various other defects, and recommended that certain conclusive tests might be made. Others thought that a contributing cause was carelessness in the care of the spools. Here is the discussion on that point.

(Mr. Kenn): "Mr. President, in the many trips I have made through the Winding Department, I think that they could get a good baseball team out of there. They throw the spools into boxes about five feet away. You could not do that with a cover on."

(Mrs. Wyso): "I haven't much to say except that it would be wasting time to push the boxes around and put the spools in."

Mrs. Wyso explained that the box of spools was brought

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over to a girl who packed them in cases to go to the warping room. She stated that there was clean paper on the boxes.

(Mr. Hoson): "*It is cleanliness we are after. It is one of the things to success in business.* I think the winders could soon adapt themselves to these."

(Miss Morris): "There are about 50 spools in a box and we would have to push them up and down an alley."

(Mr. Hoson): "What do you do with the boxes now?"

Miss Morris explained that they kept enough spools on the frame so that they could pick them up when they wanted them and that the box was kept at the end of the aisle.

(Mr. Kenn): "That's one of the things we are trying to eliminate. That's where the oil comes from."

(Miss Morris): "There is no oil on the frames."

(Mr. Meek): "I make a motion that you appoint a committee to investigate this matter."

Motion Seconded. Voted.

Remember this discussion is not at a meeting of high-priced technical experts. These are ordinary workers talking—men and women of the rank and file using their whole brains to discover why the product is not better. And they are not being paid for the investigation—it had simply never been put up to them before to remedy their own defects! See how they get at the bottom of things in a way that an executive could not. Here is another meeting—they are still discussing the elimination of "seconds."

(Mr. Shine): "Regarding piece work and a bonus for quality against daywork. In the first place, day rates would

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be very hard to establish in the weave shed when one considers the type of men there. It would be one continual turmoil for the foreman and any one to try to maintain peace under a day rate system. Here is the tendency in day work. Suppose you give two men $10 a day and say 'I want perfect goods. Make what you consider a fair day's production but make it perfect.' The next day one fellow makes 8 yards and the other 10 yards. The fellow making 10 yards will say, 'The other fellow made only 8 yards.' He will consider it an unjustice, and may not kick but will cut down his production to 8 yards. On a piece work basis, with a bonus for quality, a man produces say 10 yards. There is $5.00. Suppose we have a quality bonus of 30% for perfect quality. Suppose the minor defects are allowed to get by. Suppose it takes an hour to pick them out. The weaver loses one hour of his productive capacity in picking out. He would gain by leaving it in—one yard, perhaps 50c. What would he lose by leaving it in?—25% on the value of the piece which would amount to $1.25 if the piece was worth $5.00. It is to his interest to pick out all defects.

"Under present conditions does a weaver take time to pick out defects? No, he lets them go by. The committee has had weavers, loom-fixers, etc., before them and had testimony as to the actual facts under present conditions. They said they would prefer straight piece rates, or a combination quality and productive bonus. We interviewed about 25 people. We had 100% weavers—9 or 10. I asked each weaver a direct question, 'What would you do provided there was some little defect in your cut at present. Pick it out and make a perfect piece or let it go by and take more production?' Everyone said, 'We would let it go by.' I said, 'Under quality bonus would you do it?' They said, 'No.' Under straight piece work they said: 'We would let it go by.'

"The way it appears to me is: That under a flat day rate no matter how high or how low it is, a man on one machine

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is going to hold his labor down to that of the man on the next machine. You will come to the lower level rather than the higher level, and it will affect production to a point where this company cannot compete with competitors. The company could not as a financial proposition adopt a plan of that kind. They would be bankrupt. Our plan is not revolutionary, and is working toward better quality but not looking for absolute perfection. It will mean better quality from the weavers."

(Mr. Regan): "The principal reason why a weaver may be tempted to leave mistakes in his cloth under the present system of paying bonus is this: Suppose a weaver is allowed 17 hours to weave a cut and he loses one hour correcting mistakes. That lost hour will be added to his standard time and his efficiency will come down from 100% to 94% approximately. If that weaver was under straight piece rate he would lose only his yardage rate by correcting the mistake, which would be about 37c for the hour while at the present time he is losing 37c in yardage rate and a bonus, which amounts to about 38c, making his total loss for one hour of lost time amount to about 75c. That is why he may be tempted to leave the mistake in and save 75c. Under the newly proposed plan of quality bonus payment, the weaver will get a bonus for good pieces. He will have either to make good goods or lose the bonus, which should be at least as big as the present bonus is. The bonus will spur him on to make good goods. I can bring facts to the next meeting to prove my statement."

As a result of this investigation the committee worked out what they called a quality bonus. The weavers were to be paid a flat piece rate as before, but for a perfect piece they were to receive an extra sum of 20%; if the piece had one defect,

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15%; two defects reduced the bonus to 10%; three to 5% and four or more defects forfeited the bonus and reduced the pay to the flat rate. Now in the House they are discussing the wisdom of adopting their own suggestions.

(Mr. Meek): "Instead of selling our goods we have been putting them over in the storeroom. In respect to this new bonus there are a good many points, but I don't think for a minute that the management has been letting the old one go on if it did not have some good points. When you say a slight curtailment of the production, just how much do you mean? I make a motion that the bill be held over until next week."

Here is a side of production that the employer seldom thinks about—that before a man can become truly skillful and turn out standard quantity of perfect goods he must pass years at a low wage. His alternative is to rush through poor goods and thus, by a large production, make the standard wage. The good operator, such as the employer wants, can reach the goal only by working against his own pocket-book. He is, in effect, penalized for good work, and this representative puts the matter very concretely in the discussion of quality vs. quantity.

(Mr. Shine): "With regard to the remarks, on the present production bonus—saying it is perfectly satisfactory. He is a good weaver. He has no difficulty in turning out lots of goods but a big majority of them are not perfect weavers. That is, in order to reach the 100% mark they have to hurry and spoil the goods—have to leave defects in, they do not come to the fixers for aid and things of that sort. How about the poor learner? The learner only gets a low piece rate, and under the new bonus system he would collect his quality bonus. Learners would get the full amount of the bonus on top of their earnings. They are the people that we cannot hold. It takes them two

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or three years or may be four years to become expert and they get discouraged and they neglect quality and become careless weavers in order to get up to the quantity bonus. Nine times out of ten they quit and go to work at something else. Now, under the proposed system, those fellows would be tickled to death and it would tend to make the kind of weavers that we want. We want men who feel hurt when they see a piece of defective goods. They will not only feel hurt in their feelings but also in their pocketbooks. If they see something done wrong it will hurt them in several ways and for that reason they will be more careful.

"There has always been, since I have been here (nearly six years), complaints about the production bonus. Now it would be very hard to figure just how much or to what extent we have suffered. One good point is this—we have got production by the production bonus. Now if we want to get quality let us offer an incentive. We wanted production and we got it. We want quality and we will get it."

(Mr. Barge): "Mr. Meek doesn't understand the quality bonus as we have laid it out. The quality bonus will not be figured on a daily rate but on the same piece work standard as at the present time, but instead of paying a bonus for production we will pay it for quality. Every string we take out in any operation tends to make the customers more satisfied—it makes the goods easier to sell—tends to make our reputation better with the trade. This bonus is not only for quality but for perfect quality. If all the strings but three were taken out of a piece the company would not get any more for the piece but they would get repeat orders."

(Mr. Regan): "I would like to say this to the people who may not very thoroughly understand it—the quality bonus will not hurt the good weaver because no matter which system he is under he will get quality, so he is entitled to the bonus anyway. The poor learner has to strive, too, and he can't get it, so he will spoil the goods by trying to get the pro-

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duction bonus and he won't get the quality and the result will be this—he will either 'get through' or try something else. We lost many weavers this way and we don't want to repeat the error. The good weaver will never lose anything—it is money just the same whether he gets it by the production bonus or the quality bonus and the learner will be greatly benefited."

Here are the facts and figures of the many inducements that a man has for doing bad work and the very few that are offered to him for good work.

(Mr. Regan): "The only thing I would like to say is this: That at the last meeting when we discussed the bonus system I made a statement that a weaver weaving under the present bonus system, if he loses one or more hours for correcting mistakes he is losing his yardage rate and his bonus, in fact, he loses more in bonus than in yardage rate. A statement was made that this was not so. I promised to bring in facts and figures. I have them here.

"On quality the standard time per unit is .695 hours. It requires 17.37 hours to make 25 yards and be 100% efficient. Losing one hour on a cut for correcting mistakes, the weaver reduces his efficiency from 100% to 94%. His rate per yard on that quality is $.258 making a total of $6.45 for 25 yards. For 100% productive efficiency we pay 20% bonus, which would make $1.29 on his cut. For 94% productive efficiency we pay 14% bonus which makes 90c on his cut or 39c less in bonus alone than he would have received for 100% production efficiency, not counting the 37c he is losing on his yardage rate for that hour. In other words, if he loses that hour for correcting mistakes under straight piece work, he is losing 27c. If he is losing it under the present system of bonus paying, he is losing 37c and 39c which makes 76c. That is the principal reason why he won't correct those mistakes under the present system of paying bonus. He did not correct those mistakes under the flat rate system either,

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because for the yardage rate he would lose by doing so. Give him the bonus for good cloth, make it big enough to pay him for at least four hours of his time on a cut, and you will get better cloth, because the bonus will more than pay him for the time lost for correcting his mistakes."

(Mr. Deering): "I had a case the other day. A 100% man brought in a pretty bad piece. I wanted to know why he did not make a good piece. He said 'I cannot make a good piece and 100% at the same time. I could not do it. If I do not make 100%, I lose $3 a week.' I asked him if he could make a good piece and promised that if he did he would get 100%. The next piece was perfect. He corrected all the mistakes. The piece before that had about 20 strings."

Mr. Shine asked Mr. Deering what the man's efficiency was on the second cut.

Mr. Deering said that it was under 100%.

(Mr. Pearsall): "I have a few facts. I examined a piece the other day, employee No. 423, a 100% man, who has been working here for nine years. The piece had fifteen defects and of ten kinds—an imperfect piece. I spoke to him in a nice way. He gave me the same excuse as other weavers—'If I wanted to be a 100% man I could not pick that out.' There is another employee, No. 466. His piece had sixteen defects of seven kinds. Both of the weavers are of the same type. The only excuse they gave for the imperfections was that they were after the production bonus.

"I had another case, employee No. 482; I looked up his efficiency. He averages 90%. I looked up his cuts for the past two weeks. The pieces are perfect. I said to him, 'You are doing fine. How much are you earning?' He said, 'I do not make enough.' I asked him if he were a 100% man and he said he was not, that he averaged 90%. He said 'If you want to make fine pieces, the way these look, it is impossible to make 100%, figuring on an average.' The man is earning $16.65 a week. Can we afford to lose such a man?

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He is not satisfied with his present earnings, judging from remarks he has made. Can we afford to lose such a man, break in a new one, take chances with the new one until he is up to the standard, spend another $200 or $300 on him until he is in our employ a year or so as a velvet weaver? If we paid this weaver 20% on quality he would average fair wages—about $20 weekly. Can we afford to let this man go and break in a new man? We will never reach success if we continue that way. I make a motion that we accept the report as read at the meeting."

They went on to quote other cases. They told of one weaver who left because he could not make enough money. He could not operate above an 80% efficiency without neglecting quality. Being a very conscientious man (exactly the sort of an employee that every employer wants), he refused to rush for 100% by slighting his work—but he had to pay for his care by taking lower wages. It was stated that this man would have made 30% more than he did make and, because of quality, would have been profitable to the company on a bonus given for careful weaving as opposed to the bonus for "regardless" production.

The representatives had several other like cases.

Did the quality bonus work? Here is what the Senate heard after a few weeks of operation:—

(Mr. Pearsall): "I believe it is rather early and very difficult besides to show exact figures or concrete facts as to how the present quality bonus works, but judging from the reports of the different examiners and foremen, and my own personal experience, I must state that the goods have improved a lot. I called on the man who examines the goods when it comes from the loom, and he stated that the goods are coming much better and are improving each day. I also called on Mr.

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Hoson who has charge of the Narrow Goods, and he also stated the goods had improved considerably. In an interview on May 17th about the 50-inch goods, he said it was remarkable. He made the remark that they examined 300 cuts on the 16th of May and not one piece of seconds were in the lot and only a few "R" (rejected) goods. This must be so for I had the pleasure of having Mr. Brager ask me on several occasions: 'What change did you make in the weave room? I get no more fleeced goods. Nearly every cut is Lapinex.' I don't know whether or not Mr. Brager wants to take the responsibility of last year's improvement, but nevertheless I can state from my own experience that the Quality Bonus has something to do with the improvement of the goods. In my daily inspection of the weave room, after the installation of the quality bonus, I was stopped several times by weavers and asked if the goods were all right—they would show the goods to me. I asked the weavers what they were referring to and they replied: 'I want my quality bonus and I will not get it if this does not cut right.' The cutting of the goods means a whole lot. The knife and stones must be watched continually on account of the dust of the material and the dirt from some of the dyestuffs, and the assistance of the weaver is required. In the first two weeks I had quite some difficulty with some of the better weavers who were still under the impression that a few imperfections would leave them in Class 1 and allow them to collect a 20% bonus. They were put in Class 3 and collected only 10% bonus. They improved on the next cut and collected 15%. Some wanted to know what was required to be in Class 1 and I told them there must not be one single imperfection in the piece. I can prove that they tried to get it.

"The transferring of weavers is also a great deal improved as now a weaver cannot lose what he has already made. This was not the case heretofore.

"*The production has not suffered through the Quality Bonus.*

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The average production for April amounted to:

April	1st	week	102%
"	2nd	"	102%
"	3rd	"	104%
"	4th	"	103%

"That is a pretty good average for the first month of the quality bonus."

"Mr. Gallagher said he had been talking to an assistant of Mr. Mince and asked his opinion about the goods coming through. The assistant said that it was wonderful the way the goods were coming at the present time."

How did it come about that the workers themselves went so far toward the solution of this perplexing problem of bettering the quality of production? Simply because Industrial Democracy taught them the principles of an all-around square deal and put the enforcing of that square deal up to them. The problem ceased to belong to the corporation and became the property of the people themselves.

Eliminating "seconds" was only part of the work which they did and are still doing. They went after "seconds" because they were wasteful; they went after other wastes in a like thorough fashion. Here are some extracts from the report of the Committee on the Conservation of Supplies:

It has been brought to the attention of the Conservation of Supplies Committee that a large amount of good paper is destroyed or spoilt in our Weaving Department and the

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following recommendations are put before the Senate for discussion and for action to be taken.

(1) (a) That the Warping Department when wrapping covering paper around the warps, mark the paper on each warp with an arrow, the arrow to point and show the direction of the material on that warp. This will enable the parties who are putting the warp into the loom to know, without tearing the paper to obtain this information, how to place the warp and the direction the material runs.

(b) That an arrow be painted upon the flanges, the direction of this arrow to be always noted and taken care of by the foreman of the Warping Department when starting to make a new warp.

There seems to be quite a difference of opinion as to which is the best and most convenient method. We consider the subject should be discussed in the Senate, then a bill put through for the method decided upon. Under present conditions there is a lot of paper spoilt through those putting in warps tearing the paper so that they can see the material and the direction in which it runs. Either of the above methods should eliminate this practice.

(2) That there is a lot of paper wasted through it being allowed to lie around on the various looms where it is placed after being taken off the warps. It is considered that either the men taking it off the warps should deliver it back immediately to the Warping Department or that the foreman twister have a boy to make trips once or twice a day through the weave sheds for the particular purpose of carefully picking up all paper from off and around the looms and turning same into the Warping Department.

We are of the opinion that the foregoing should be read out to both houses and all members should strongly coöperate in their endeavors to stop the waste of this paper, and also to bring to the personal attention of any member of this committee all matters where they consider that our supplies are being misused or wasted.

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Take stationery and blank forms which cost $900 to $1,000 a month. The committee suggested that the accounting department furnish each foreman with a statement of the amount of stationery used over a period of time so that they could check up on each item. They further recommended that no forms should be independently issued, but that all should come to a central control; that if a new form were desired it should not be printed until its absolute necessity was established and the other forms of the company were investigated to make certain that none of those in stock could be used. They found that the manila paper bought for the packing and shipping department was used in various departments of the mill where cheaper grades would answer the purpose quite as well. They posted the sign:

"SAVING WASTE INCREASES PAY."

And there you see the economy dividend at work—it hitched up saving waste with pay. They got that idea very quickly; they made money for themselves and for the company. Look at this joint resolution:

BE IT ENACTED AND RESOLVED THAT:

1. A blackboard be placed in each department, or upon

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each floor where a department exceeds one floor, throughout the mill.

2. A committee be formed consisting of members of the House of Representatives and Senate in each respective department, or on each respective floor, for the purpose of originating and writing on the blackboard—three days prior to the date of dividend payment—a message on dividends to the employees of the said department or floor.

3. The Dividend Committee shall receive and pass upon all messages to be placed on the blackboards in the different departments so that all messages will keep within the business policy of this concern.

4. The department of floor committees will also be notified of the percentage of dividend to be paid, and each week this will be entered at the same time that the message is.

5. A blackboard as per the attached design shall be adopted for the purpose of entering the message on dividends to the people.

6. *The messages to be written on the blackboards in English only.*

This is by no means the whole record of Industrial Democracy in the Shelton Looms—it is a very small part of the record, but it gives the opportunity to hear the testimony of the people themselves on some points which are troubling most manufacturers—whether or not they are in textiles.

Industrial Democracy not only found that lost half million but it is finding countless other thousands which will, within a few years, mount into the millions.

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CHAPTER VI

MUST A FOREMAN BE A PUGILIST?

A DOZEN miles out from Cleveland, Ohio, is a sleepy, dust-covered little town which seems to find its excuse for existence in being a butt for the big city. Whenever a traveling comedian wants to work in a local joke of a peculiarly rustic nature, he habitates it there. One has only to start, "I was over in Blank yesterday . . ." and the audience begins to laugh.

Formerly a single-track trolley line wended its way through its straggling main and only street and furnished a link between the inhabitants and the effeter civilization in the city. But the town has a college and the college had a professor of economics and he delved into the proper relations of transportation companies and communities. His researches convinced him that the trolley company was not serving the public as well as a perfectly ordered franchise holder should. Then he convinced the town fathers of the enormity of permitting a soulless corporation to act so brazenly.

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Thereupon he drew up and they adopted an elaborate schedule of the cars the company should run, when they should leave, and when they should arrive, providing adequate penalties for non-performance, and generally introducing the most modern, academic methods of transportation regulation. The only flaw in the plan was the trolley company. Its officers and directors read the new edicts with the utmost care, said that they were perfectly splendid, and if carried out in the spirit as well as in the letter, the town denizens might fare forth into the world with regularity and dispatch. Modestly they confessed to an incapacity to manœuvre in such an ideal atmosphere, but asserted they would not, in the slightest degree, interfere in the communication scheme. They would efface themselves. Thereupon they packed up their tracks and their cars and headed for some less progressive community, cheerfully offering to give the franchise, which the professor of economics had evaluated so highly, to any one who hankered after a franchise.

Thereafter the townese made connection with the United States over a storage battery car on a spur line. That is, they made connections if the weather were all right, the conductor and motor-

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man both feeling well, and the car in working order; it is only fair to say that once in a while all of these happy conditions did concatenate.

More than half a century before, long before trolley cars had been dreamed of, came to the town a big, hard-fisted blacksmith. He was a forehanded smith and his forge had not been working many months before he discovered that his customers could use a certain amount of castings to replace broken parts for which they would otherwise have to send afar.

He set up a little foundry which made such good gray iron castings of the lighter weights that others than the neighbors sought to buy them. And soon he forgot about his blacksmith shop and gave himself up to the foundry. He was an iron master in every sense of the word; he was the master and he ruled. Those who work about iron are not a gentle lot; they run to red flannel undershirts and belligerent dispositions; they give and they take and they have no respect for a boss who cannot, if the occasion rises, roundly thrash any one of them. The old master could do it and his son, following after him, ably maintained the martial supremacy of the family.

It is this son with whom we are concerned, and

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at the time with which we are concerned he was president of the company, stood two inches over six feet, owned 240 odd pounds of brawn, a million dollars or so, a sunny, even disposition, and, although nearly sixty years old, had an equally hearty wallop and handshake. He, too, had a son, also in the business, and also entirely able to take care of himself. There were no pacifists in that management; they did not know what a "nonresistant" was. All the foremen were "huskies" and thus they ruled some 300 Poles, Lithuanians, Hungarians, Italians, and Negroes in a comparative peace and quiet, because any one who wanted "to start anything" could find far safer places than this particular foundry. Everybody was reasonably happy, the castings came through, and although laboring men did not like to work in such a dead, far-away town, the state was so glutted with immigrants that it was always possible to find plenty of men.

The foundry could shut down on any day, pay off the labor, and after a month or so of idleness, be absolutely certain to recruit a full force simply by hanging out a sign. The men received the market price for their services and were fairly treated. It was a good, average, thriving, foundry business conducted on good, average, thriving

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foundry business lines. They did not try any fool experiments; they knew what they were doing; they were able to get their share of work and they made money. The president and his son both had statewide reputations for absolute fairness and integrity. They were respected by their employees and by the community. They were the big people of the town. They had that patron-saint position of the manufacturer from whose activities flows the prosperity of the neighborhood.

Then came what I think we shall some day call the Industrial Revolution of 1916. The war orders of the Allies brought a feverish activity into the state. People began to talk about labor shortage; labor took up the cry, and, turning back the law of supply and demand upon their employers, the labor market became a first-class imitation of the Chicago wheat pit with a speculator trying to effect a corner. The laboring man revelled in a new independence. Having a dozen jobs to select from any day in the week, he lost all fear of discharge. He grew careless, worked only when he felt like it, and enjoyed his inning to the utmost.

The management of the foundry could not

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understand the new order of things. Like most employers they tried to face the new facts—but they could not realize that world conditions had changed, that old methods would not do in a day of rising living costs, restricted labor supply, and intense demands for more and more production. The president tried out various bonus systems of production; he looked into efficiency methods, and, although every method he tried was in itself good, all of them neglected the factor which had undergone the greatest change—the human factor. All the methods presumed that money incentives would bring men up to capacity. In that they reckoned wrongly. The workers were interested in money but they were making more money than they had ever seen before. They found employers bidding for them on every side and they transferred any interest which they might have had in the work to seeing that the employers kept right on bidding. At the end of a day they thought to themselves not, "How much did I do today," but "How much shall I ask for tomorrow?" The care was not to *earn* but to *get* wages.

The president, his son and the foremen railed. But what was the use? The men, when too much bossed, simply took up their coats and went

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on to the next job. Boss rule—the rule of the hard fist and the strong arm—ended.

All the while, the company was being deluged with orders. They could not keep up, though running on full force, with even subnormal pre-war production, while on their books were three times as great a quantity of orders as had ever been there. Among them were rush orders for the United States Government.

The president resolved that, since labor seemed to want more and more money, he would go the limit on wages. The company contracts were liberal enough to give a profit even at high wages provided only they were filled within a reasonable time. He raised all wages a flat 10%. He determined to buy production. But at the end of that month the summary of operations disclosed the startling fact that production had fallen off 10% and that the labor turnover for the month had not decreased. Perhaps the increase in wages had not been large enough. The president added another 10%.

"Now," he declared, "I have given them all the wages they can think of asking for. They are getting double what they got two years ago and I ought to get a little action out of them."

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He posted the new voluntary increase; the men took it calmly. They expected monthly raises and figured to themselves that the company was not entitled to any particular credit but was only buying at the market price for labor just as it bought pig iron at the market.

The production in the second month made a new low record for the full force working—another straight 10% drop.

The increases in wages had been to date a flat failure but the president did not realize that the workers wanted anything more than money. And he was right in a way—it was wages they thought they wanted. Really, they did not know what they were after. A few long heads may have seen that there had to be a limit to wages; that if wages kept going up so would the prices of the finished article until they reached a point where no one could buy—and then there would be neither work nor wages.

The president tried again; he put on another 10%, making a total increase of 30% within three months—a procedure which caused him and his fellow executives to wonder where in the world business had started for and to hope that the end might come quickly. This third 10% increase

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gave no better results than the previous ones. Production made another new low record and if the labor turnover had been any faster they would have had to employ a traffic policeman to prevent those going out from getting into the way of those coming in.

Then and there the executives went into solemn, almost sepulchral, session. They mournfully decided that they had reached the end of their rope, that they did not know anything about business cavorting as it was then. But they could not shut up shop; they could not completely fall down on the Government contracts; they were far behind in deliveries—but they had to go on. How could they continue with a shop that was out of control, with costs going higher every day, and with production both in quantity and in quality sliding so rapidly down the scale that their only hope was, when it did hit zero, it would have sufficient force to rebound. They were willing to try anything. They had tried everything and everything had failed.

It was then that they heard of Industrial Democracy and into the swirling chaos I took Industrial Democracy.

I had the men meet with the officers and di-

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rectors and we talked over things. I told them that riding on a merry-go-round was fun for a while, but it wasn't the kind of thing that any one found pleasant day in and day out. That they themselves were probably becoming tired of following the call of high wages from place to place; that if they struck a balance they might find that the expense of shifting and the discomforts of new quarters every few weeks were costing them more than the additional money they were continually asking and obtaining.

They agreed with me that running from job to job was a nuisance, that they felt that they were not getting anywhere. But what was a man going to do? It cost so much to live that even at the highest wages, precious little stuck for a rainy day. I did not blame them for selling their services to the highest bidder—that was only natural and right. When there were more men than jobs, precious few employers had ever paid or could ever pay other than the lowest wage which would fill the shop. They were competing in the outside market in the price of goods and they thought they had to compete in the inside of the shop with the price of labor.

"But," I went on, "we can all find a better way

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than this. We can all make more money—the company as well as yourself—by getting more out of the day, by ceasing to work as individuals and all working together. You have probably heard a great deal about working together for the company's benefit but have you ever thought of making a team out of yourselves for your own benefit?"

The crowd liked the idea of self-government. Still more they liked the idea of getting a dividend on their wages calculated on their own savings and efficiencies. They liked the thought of sort of going into business for themselves, of building an institution of their own, and of dropping out of the mad and tiresome chase for the alluring pot of wages at the end of the rainbow.

These rough men were rudimentary. Like most strong, uneducated male animals they had simple, single-track minds which responded quickly to the elemental things of life. They began with the ardor of children starting a new game.

A few could not shake off the old "hold-up" spirit. They saw in the new order of things a chance to "fake." Six men working at a $4\frac{3}{4}$ cent piece rate waited upon the superintendent; they insisted on a raise to six cents; otherwise they would quit. Answered the superintendent:

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"This is out of my hands now. If your rates are not right tell your representatives about them and the House of Representatives will appoint a committee to see that you get what is coming to you."

The kickers did not like that idea. Complained their leader:

"What does the House of Representatives know about this? We know what our rates are, what our work is, and how much we ought to get for it."

The superintendent absolutely refused to exceed his authority. The dissatisfied men would not appeal so the superintendent himself explained the situation to the Speaker of the House who at once convened a session and appointed an investigating committee. This committee examined the work and the men. They brought in a finding that the six cent rate had not been asked for in order to bring up wages but that the kickers had calculated that at six cents they could do less work than before and earn the same total amount of money. Thus the increase would retard and not stimulate production. The men were caught at their own game. They were caught trying to hoodwink their fellows.

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Strangely enough the protestors did not quit when the adverse verdict was handed down. Instead they went really to work, exerted themselves, and earned high wages.

The quantity and quality of the production of the whole foundry began to increase with the very first month's operations. The dividend for the first thirty days was 6% and at the end of three months, the workers had increased it to 10%. They did this by working together. They found that dividends came from following the principles of the Business Policy they had adopted—that the policy was not a mere collection of words, but a living thing, to which they might turn for advice at any hour of the day. The men began to know and interest themselves in one another.

"Jimmy is sick," announced a representative at a House meeting. "He is a good fellow and he isn't earning anything. He has a big family and he hasn't had a chance to lay very much by. Let's take up a collection and send him some money."

Another member thought that it would not be right to take up a collection because then Jimmy might feel that he was getting charity and anyhow any workman who fell sick should have an equal

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chance and it might be that when an unpopular man was in a bad way nobody would "chip in" for him.

Out of this discussion grew a mutual benefit association. The company had looked after its men when they were ill but they could not know all of them and the workers themselves—that is the better class—did not like the idea of receiving charity. They wanted to stand on their own feet. The House committee took actuarial advice and worked out a plan to provide in advance for any trouble that might come to any man—including both health and life insurance in the scheme. They devised a schedule of deductions from the dividends and absolutely forbade the taking up of a public subscription for a worker. Any one on the pay roll might elect the sort of insurance that he fancied. For 1% off his dividend check he might have insurance equal to his annual earnings. Thus they accomplished insurance without cutting in on the pay envelopes—which always comes hard to a workman. And they were the happier for doing the insuring themselves.

The making of castings is a tricky business. The mold must not only be well made, but the gate through which the molten iron enters has to be

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just the right size and shape or the iron will flow in too slowly or too fast and cause an imperfect casting; the man pouring must regulate the speed at which the iron leaves the ladle, but above all, the iron has to be "hot" and "running right." Changes in atmosphere affect the fluidity of the iron; it runs one way in dry weather and another in wet. In short, it has an exasperatingly fickle nature which never yet has been quite put under control.

The molders were paid at piece rates for perfect castings but imperfect ones might result from any of several causes not under their control. The "cupola man" who filled the big "bull ladle" might help or hinder the run, or he might do his work properly and the "pourer" be careless. The cupola tender and the "pourers" were on day wages and they had no incentive to better work; their money came through regularly, whether or not they did their best. You can realize the possibilities for disputes under this system. I think that no chances for rows slipped by.

The molders were usually cursing the pourers and everybody cursed the "cupola man." When blows threatened, a foreman jumped in. A half

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row was always on and a fair-sized war was a daily happening. This was before they learned the cash as well as the happiness value of united work.

The House quickly took up the situation. They began with the "cupola man." He was a dour individual who intensely disliked improvements. He had opposed every improvement in the past—he was one of the few men who had been with the company a long time—and he hated the new idea of community interest. He made himself the first big barrier to an improvement in the work; he refused to change his ways. His particular fancy was to fill one ladle and then stop the flow of metal at the cupola while the next ladle was being put in place. That choppy method restricted the whole flow of production.

The new idea was to lead the metal out through a two-pronged trough so that while one "bull ladle" was being filled, another might be wheeled into place ready at once for its quota of live metal. Thus a constant delivery might be obtained.

Everybody wanted the new way—except the "cupola man"; he said he would quit before he changed—and he quit. A man was selected from the working force and the foundry took a step

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forward. But what happened to the conscientious objector? He went out and got another job—and inside of thirty days came back again to do his old job in the new way. He said that he did not like to work anywhere else! But now he is working *with* the company.

The "pourers" had been careless. They were not interested in results and were usually at swords' points with their molders. The House got around this by resolving to have the molders select and control their own "pourers" so that if any "pourer" were not satisfactory, the molders through the House would have correction in their own hands. The molders could no longer criticize the company for hiring incapable or careless men—they had to look to themselves. And because not only their pay but also the dividend depended upon turning out first-grade castings they saw to it that the "pourers" used care. Thus ended the pouring troubles.

Molding is something of a fine art. There are only a few skilled molders and, try as they might, some of the men could not produce even a reasonably high average of good castings. They made their molds and gates with all care and to the best of their knowledge, but often good

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castings would not result—and why they knew not. This, too, came before the House. A committee investigated and reported that the causes for most faulty castings could be traced by an expert in molding practice and it would materially help quality production if the company had an inspector who would not only know a bad casting when he saw it, but also why it was bad and who would be able to go back to the man who had made it and tell him the exact trouble. They suggested one of their number—Harry. The company appointed Harry. And he set in to raise the casting standing of the shop. Being an expert molder and a student of iron, he could instantly put his finger on the cause of defective work. When a bad casting came to him and he had diagnosed the trouble, he went to the molder who had made it and explained the exact nature of the defect. It might be that the gate was too large or too small; but whatever the cause, Harry found it and the men, recognizing that he knew what he was talking about, were glad to have his advice. When they were puzzled on a mold they began to get Harry's approval before the pouring began. They realized that it helped dividends to avoid the waste of poor castings and they dropped

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the too common attitude of letting pride forbid them to ask questions.

These improvements were all in the direction of quality production. They saved the company money by cutting out the expense of rejections in the foundry and of rejections by the customers. Also they made money for the workers because the workers received one-half of all these savings as dividends. The improvement in quality was remarkable, but what is even more remarkable is that the team spirit produced not only better castings but more of them. Under the old scheme of individual work, the company had faced steadily increasing wages and steadily decreasing production.

In the fifth month of the experiment in self-government, the company had a net increase in production and shipping of 52% in excess of the best month in their history!

That is what team work did for production.

The labor turnover, except for such causes as death or sickness, practically ceased to be. The wages with the dividend gave the employees higher returns than were paid in the district for similar work. But the company could afford the wages and dividends because the increased efficiency and

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the elimination of wastes scaled down their unit costs of production. They saved money on high wages—which is as it should be. Instead of scouring the country for men, they had a waiting list.

The business of the company increased to such an extent that, in spite of the big production of the force, it became necessary to take on more men. The Cabinet decided on this addition only after consultation with the House of Representatives and the Senate and a general agreement of opinion that the best business interests would be served by increasing the force. But where could these men sleep and eat? The little town was already crowded. The House had long since suggested that the company build houses and a number were being built, but they did not meet the immediate need. The House asked for a mass meeting to consider the subject. The Speaker of the House told the men of the conditions. That, as they all knew, the company should add to the force; there were no houses for new employees and none could be built and finished within four or five months. Had the workers any recommendations?

Suggested a worker, "Let every man here who has a house take in a temporary boarder. I don't think any of us want boarders just now when we

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are making money but it is up to us to help out. Every man in this room who will take in a boarder raise his hand."

Up went the hands. They absorbed the thirty men then hired, and since then they have found quarters for many more men. Thus they banished the housing problem from the little town that had no housing facilities.

From a wrangling, snarling mass, rough of speech and ready of fist, this foundry group became a band of coöperative manufacturers. The men now like the plan because it gives them the joy of creative effort. No longer does the money incentive wholly stimulate them. They have learned the fundamental truth that a task well done brings quite incidentally, but with absolute surety, its own proper and adequate reward. That whosoever makes his job the complete expression of himself need no longer worry about pay.

I have spoken of the men. How did the company like the way things worked out? This is what the president had to say the other day. The results have been:

First—Increased production.
Second—Increased earnings to the company and the men.
Third—Decreased cost.

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Fourth—Better quality.

Fifth—A contented and energetic organization.

Sixth—Our business is more strictly within our control than ever before.

The manufacturer struggling alone with his business burdens, carrying them on his own shoulders only, and who has not seen the value of the interest on the part of the humans in the organization, will not believe such a change is possible. He, however, has something pleasant to learn.

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CHAPTER VII

INDUSTRIAL DEMOCRACY

IN THE four chapters immediately preceding I have given accounts of the working of Industrial Democracy in various dissimilar fields—of the results of shop as distinguished from laboratory tests. My thought has been to present not merely a theory of industrial relation, but a theory which has been established and proved in practice and under varied conditions. A theory which proves itself with American workmen of rather above the average grade—as with the Packard Company—with rough foreign labor as in the iron foundry; with practically alien workers as in the case of the Demuth Company; with weavers who are notoriously floating, as with Blumenthal & Co. can, I think, safely be taken as universal in application.

I might have recited at least fifteen more stories of equal interest with those which have been given; for Industrial Democracy is no longer an experiment. I have worked it out through an

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experience of ten years in many and varied industries. It is a form of management which developed with me; it was not born full grown. It grew out of my own long experience as a worker and has its genesis in the late P. D. Armour. Years ago our gang was splashing about in the muck of the old stockyards when "P.D." came along on his old sorrel. He noticed that Pat was wearing a thin coat and had leaky boots: he stopped.

"What are you doing around here dressed like that?" he asked.

"It's all I got," answered Pat.

"Go buy yourself a heavy suit of clothes and a pair of boots and charge them to me," ordered Armour. "We can't afford to have a good man like you get sick."

Armour was always doing that sort of thing. Of course he was an autocrat, but his was a benevolent despotism. He paid fair wages and demanded long hours of service because he knew no other way to work—that was the way he had been brought up—it was the way he had worked. I hold no brief for all his business practices but I do know that he had a profound personal interest in all those who worked for him

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and that they returned that interest by a remarkable loyalty. That incident and others like it made an impression on me. It started me to thinking why could not all employers and employees have mutual interests; why could they not treat with each other on the man-to-man basis? I kept that idea with me through endless jobs. I saw employees come and go, live and die, without a thought on the part of the employers as to their welfare. I saw the employees show an equal lack of interest in the employers and demonstrate this disinterestedness by pointedly doing just as little as they possibly could for their wages. I could find no relation between wages and work. The employer paid the lowest wage at which he could get men and the worker gave the smallest return which he could possibly give and still get the highest wages. I am speaking generally. I noticed striking exceptions and I also noted that many, I think a majority, of the employers had no measure of wage except that paid by a competitor and they felt that if they raised wages and the competitor did not they could not sell against him. The workmen also did not connect wage with work. They wanted two dollars in pay for a dollar's worth of work; they did not work any

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harder or any more intelligently for two dollars than they did for one dollar. In neither case did they put more than their hands into the tasks.

Inside each institution I found runious competition between labor and capital—the one to get more the other to give less. This competition seemed to me both wrong and foolish and I deliberately went from job to job, although I had no income other than my wages, merely to find if there was not some better way of adjusting the relation between the proprietor and the worker. Out of that first-hand investigation, pursued without theories and without a knowledge of philosophy, came a gradual comprehension that there could be a better way. Seeking the why and the how led me into philosophy—into the causes behind what we call results—and step by step unfolded that which I now call Industrial Democracy.

My first large opportunity to try out my ideas came as one of the managers of an envelope plant. I had then no well-defined plan of formal organization. I tried merely to come to good terms with the people who were working in the departments to make them feel that I was one with them and that their interests were my interests. I was

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astounded to see how quickly they responded. We held mass meetings from time to time in order to try to get the same point of view and at those mass meetings we talked over the management of the factory, better ways of doing work, and—although we had no power to enforce any resolutions we adopted—the executive officers proved themselves willing to adopt most of our suggestions and seemed to welcome our coöperation—they found it profitable. That is the record of my first trial at anything approaching democratic shop government. Of course it was far from actual democracy; it was practically only a democracy of suggestion. But the big thing about it is that it worked. It gave a foundation upon which to build. It proved to me that my fundamental ideas were right.

The men liked the meetings; they liked the chance to air troubles, to have it out over anything which did not satisfy them; and gradually it dawned on me that this desire to talk and to have a say in things was the bubbling to the surface of the innate spirit of democracy—of the desire which is in almost every man to have a voice in his own destiny and a means for self-expression. And that the great change which had come about

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in their work was by reason of the brain power freed through responding to these natural urges. Analyzing my personal work I found that what I had really done was to capitalize fair play—to sell the management to the men, to convince them that their meetings were of importance and not merely opportunities to blow off steam. I found it difficult to measure the relative importances of the two phases. The opportunity for democratic expression was undoubtedly that which attracted and held interest, but just as undoubtedly that opportunity would not have been seized had not the men been convinced of its fairness, sincerity, and mutual good.

That is entirely reasonable; one finds the same thing in politics. We have been managing business autocratically; one man or a group of men has commonly had absolute Kaiser-power—power more absolute within its sphere than that of any ruler on earth—and if employers do not, most certainly employees do, recognize the fact. They are therefore suspicious when an employer develops overnight a zeal for democratic control. I do not care what plan you attempt to put in force, and I do not care how sincere may be your desires, the workers will question whatever you give to

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them. They will quickly pick any patent flaws or limitations and if they cannot find such they will not thereupon conclude that you intend to be fair. On the contrary, they will ask "Where is the joker?" They expect a joker. When the Tsar granted the Duma to Russians only a few of the people accepted it as a step toward democracy, the others wanted to be shown the "joker." And, sure enough, in due time, they found not only one, but half a dozen jokers.

Bearing in mind this wholly natural mental state I have gone forward with Industrial Democracy, holding two propositions as fundamental:

(1) *A form of democracy should be adopted which permits the most direct possible action by the workers themselves and practically without rigid limitation of its extent. In such case probably no question of jurisdiction will ever arise. If you do fix limits—if you erect a fence around the democratic field—the natural human instinct is to spend most of the time leaning over that fence trying to get into the next field.*

(2) *Sell the plan to the employees—convince them of your sincerity.*

I have spoken of Industrial Democracy as a state of mind. In its broadest sense it is a state of

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mind. As far as this present book is concerned I am considering it only in a limited application—as a method of management of a factory or some other specific commercial entity—and not broadly as a mode of national government. I am taking as settled without argument that American principles of democracy are right and then making application of these principles to the governing of a factory. My thought is that if we manage our smaller, more intimate affairs on right principles then, as a matter of course, we shall manage our great, national affairs on right principles.

This, then, is what I call Industrial Democracy:

The organization of any factory or other business institution into a little democratic state, with a representative government which shall have both its legislative and executive phases.

The democracy which I favor and which I have proved in practice takes its titular organization from our own Federal Government and also follows its modes of procedure. It necessarily differs in detail. The formal organization depends upon the size of the company. In a large institution one would require a Cabinet, a Senate, and a House of Representatives supplemented by mass

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meetings of the entire working force as occasion requires. In a very small place (employing 300 or less) it may not be necessary to elect representatives at all and the mass meeting may, in town meeting style, be able to transact all of the business subject to the confirmation of a Cabinet. Take the three divisions, their derivations and their powers.

THE CABINET

The Cabinet consists of the executive officers of the company with the president of the company acting as its chairman. This body is not elective by the workers and its personnel exists by virtue of the vote of the corporation through its stockholders or directors according as the by-laws of the corporation may prescribe. I do not think it would make for democracy to have the Cabinet elective and I have nowhere heard—that is, in this country—workers ask that it should be.

The Cabinet is primarily an executive body. It has the power to veto but I have never known that power to be exercised. It also has the power to initiate legislation in the same manner as the President of the United States—that is, by making a suggestion in a message to the Senate or House of Representatives. Neither the Senate nor the

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House is obliged to follow these suggestions. But, as in the case of our own Government, each practically always does adopt the suggestions, although frequently with additions. Thus the executive officers, instead of issuing orders to employees, become a part of the democratic control and are fully in touch with the people and their needs as expressed through the Senate and House.

The Cabinet meetings have before them not only the bills which have been passed by the Senate and the House, but also the minutes of all the meetings and the discussions. The extracts from the minutes which have been given in the preceding chapters show how free and informal is the debate —thus the executives know what the people are thinking about by reading what they say in their discussions. All communications in the Senate and House are privileged and no employee may be punished for anything that he may say in meeting. In fact, he should not even be cautioned or criticized, for to limit the right of free speech in the Senate, in the House, or in a mass meeting would be to make an absurdity out of democracy. And the inevitable self-criticism by the bodies themselves is more efficacious. The Cabinet meets once a week, discusses the specific bills,

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which come up for approval, any communications or joint resolutions, and also deals with the larger problems of management which would naturally come before a meeting of executives. If they decide a change to be desirable, they do not, as would ordinarily be the case, simply frame an order and promulgate it for better or for worse; instead they put the order into the form of a suggestion, or recommendation, give the reasons behind their action, and send it to the Senate or House. The exact measure will be adopted or rejected as these bodies see fit, but in any event it is sure of a full and complete discussion from every possible angle and the object will be attained. If the measure be rejected, the executives may rest assured that they have been prevented from issuing an erroneous order and saved from the results of a mistaken snap judgment. Preventing unwise orders by the management would be of itself a sufficient reason for the existence of a form of democratic government.

THE SENATE

The Senate also is not an elective body. It is made up of the under-executives, department heads, and sub-foremen, according to the size of

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the establishment, the idea being that its members shall comprehend all of those under the grade of chief executive officers who are in a position of authority over the workers themselves. It elects a president, a secretary, and such other officers as may be necessary. It has standing committees and special committees just as has the Senate of the United States, and it is an extremely valuable body in that it represents the supervision point of view. It approaches measures from the standpoint of the man who must put them into effect. Its powers and practices are identical with those of the House of Representatives which are given in the next section.

THE HOUSE OF REPRESENTATIVES

The House of Representatives is the popular body of government, being elected by secret ballot by the whole body of workers. The exact mode of election depends upon the size and the character of the institution. I find that it is commonly best to have the elections by departments with a representative for each twenty to forty people employed within the department. The departmental basis is advisable because then every phase of the business is assured of a proportion-

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ate voice, which might not be the case were all the representatives elected at large. The representatives are also supposed to act as counselors within their departments, to receive all complaints and suggestions from their constituents, and also to acquaint them with what the legislative bodies are doing.

The Speaker of the House is elected and he appoints the committees. His right-hand man is the Chairman of the Ways and Means Committee, which is the committee of paramount importance. Both the Senate and the House are governed in their proceedings by Robert's Rules of Order and both, in addition, adopt constitutions and by-laws. Meetings of the Senate and House are weekly and always on company time, piece workers being paid an approximation of what they would have made had they been working. The system will fail miserably if the meetings are held after hours or otherwise in the employee's time.

Business is transacted to a considerable degree through committees. Each measure is, as a rule, referred to a committee to investigate and report so that when the time comes for open discussion all available facts will be in hand. This tends to

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shut off irrelevant discussion and keeps the meetings from wandering from their subject matter.

THE POWERS OF THE HOUSE AND SENATE

Every measure before becoming a law must pass both the Senate and the House and be approved by the Cabinet. When the Senate and the House cannot agree on the terms of a bill, a conference committee is appointed to iron out the differences and present a compromise measure. Every dispute, whether between workmen, a workman and a foreman or executive, between foremen, or between a foreman and an executive may come before either the Senate or the House. Usually a committee is appointed. This committee will take testimony, find according to the facts, and report back their findings. The House may accept or reject their findings. If it accepts them it passes a measure to correct the trouble which may involve only a change in method, or may bring in a recommendation for the dismissal or shifting of one of the parties. The bill then goes to the Senate and, if it concurs, passes to the Cabinet for final approval. If the facts surrounding the passage of the measure are not clear to the Cabinet they will call for more infor-

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mation and may suggest changes; the wise Cabinet will not use a club.

This wide latitude of expression makes the House and the Senate important coöperative factors of management. If any men think that their wages or rates are unjust they have but to bring the matter before the House of Representatives and it will receive a thorough and impartial investigation by a committee of their peers. Thus the legislative bodies practically adjust wages and I have yet to know a case in any of the establishments where Industrial Democracy is in force, that an increase in wages passed by both the Senate and the House has not been willingly confirmed by the Cabinet. Particularly do they ferret out injustices in piece rates. Very few piece rates are scientifically set. In the same department the same amount of effort and skill may net $1 or $2 according to the vagaries of the rate. Men hesitate to complain to foremen because more often than not the foremen have fixed the rates. The men know just rates and through their House of Representatives they see to it that rates are made just. Permitting the men to have a say in adjusting their wages removes the perplexing wage question as a fer-

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tile field of dispute. Of course they will not agree to low wages, but no manufacturer desires *low* wages. If he is big enough to stay in business, he must know that *low* wages spell high cost production and output of poor quality. Only the fool thinks that low wages save money. Hours of labor are on a similar footing and similarly are best left to joint determination.

Employers fear giving power to employees through a democratic organization, but that is because they have never tried them with power. It is true that unions will sometimes increase wages and shorten hours to such a degree that a plant owner thinks he cannot accept the terms without ruin. But there is a big difference between a union meeting and a shop meeting. The union is probably antagonistic to the employer for some reason—good or otherwise. But the shop meeting, if the employer has convinced it of his desire to be fair, will not be unfair. The men who will vote regardless of whether or not they are killing someone's else goose will not vote to kill their own goose.

Through the machinery of democracy it is perfectly possible for the employees and the employer to reach a common ground and to begin to

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know each other. It is hard to have serious misunderstandings if there is a wide opportunity to exchange views and appreciate viewpoints and that is precisely what the machinery of Industrial Democracy affords.

THE BUSINESS POLICY

But the machinery of democracy will not, of itself, bring about the understanding. It is only a machine, and, like every other machine, it needs power to turn the wheels. That power comes from the adoption of a business policy, a constitution, a bill of rights, or whatever one may choose to call it. The Constitution of the United States finds its reason for being in the Preamble in which our forefathers stated in a very few words not merely why we should have a Constitution, but why we should have a United States. The Preamble defines the common object—what the machinery described in the Constitution is expected to do. Similarly an industrial democracy needs a statement of principle, a summary of its reasons for being, and the expression of the spirit which animates it. As a precedent to the installation of the actual machinery I always establish with both employer and employee

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a set of simple, elementary principles which I call the Business Policy.

In Chapter III concerning the Packard Company I have set forth the Business Policy in full. It is universal and invariable and in it will be found a rule to meet any situation whatsoever. It might all be expressed by a mere statement of the Golden Rule and I would so express it, had not the Golden Rule joined that class of indisputably good axioms which everybody agrees with and nobody follows. Therefore I have split the Golden Rule into five parts as follows:—Justice, Economy, Energy, Coöperation, and Service. I invariably discuss each division of this business policy at a separate meeting and thus fix the attention of the people on the basic principles of fairness.

The preliminary meetings to discuss and to adopt these platitudinous principles are highly important—they open the campaign of selling the SQUARE DEAL—to carry out the principles of the business policy.

Justice, Economy, Energy, Coöperation, and Service have nothing of novelty—they are basic. I simply aim to renew truths which are fundamental but which have become rusty

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through disuse. I convince not merely the workers, but every person in interest including the directors, if the business happens to be in corporate form.

It is a mistake, in policy as well as in fact, to assume that labor difficulties originate exclusively with the workers. It is not fair to assume that all workers are constitutionally shiftless and careless and that all employers are paragons of virtue. Neither is it fair to assume the reverse. I have not yet found a case in which both parties were not more or less equally to blame. Most employers and most employees will resent this statement and aver that their intentions are of the best. I cheerfully grant that most people have good intentions and I am willing to let it go at that. The point is that the most splendid intentions will not, of themselves, accomplish anything. What we need is something to put good intentions into effect, to make them active and not passive, and above all to make sure that they are practical and not merely comfortable points of view. The business policy is intended to take all of the intentions out of the abstractly good class and pool them into a single working intention. That is the reason it is absolutely necessary for every

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person in the corporation to attend the preliminary policy meetings and there and then to pledge the same intentions.

Tacking up a set of moral principles is very different from discussing and adopting these principles in a united group. When the worker sees the employer pledging with him to do justice or to perform service he is more ready to believe that nothing is being "put over" on him.

There is no possibility of success in practising Industrial Democracy without a common desire on the part of everyone to follow its principles. If the high officers of a corporation imagine that they can turn over the whole question to someone else and go on their several ways without a thought as to whether or not their people believe in them or the plant, or are at least open minded toward it, the experiment is sure to fail. Personally I will not undertake to instil the principles and to start the machine going unless I am entirely convinced that the management is sincerely anxious to bring about better understanding with the employees and willing to do its part to attain that understanding. I will not accept a retainer merely to bring about better labor conditions; I will not act as an ambassador from the management to the

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men, nor undertake anything which would fall into the class of "personnel manager." For if the managers do not show as keen an interest in carrying forward the principles of Industrial Democracy as they in turn expect from the men, if they expect merely to install a system and get rid of the personal bother once and for all, they have not the attitude which makes success even remotely possible.

These human factors are of the highest importance. Before going forward with Industrial Democracy it is well for an executive clearly to get in mind what manufacturing really is and to determine the relative importance of men, money, merchandise, and buildings. I hold that the human asset is the largest. Ill-will is not a liability, but a positive loss, and when it culminates in a strike it is seen in its true light. The executive's object, if he is something more than a machine, is to put good-will in the place of ill-will; it is up to him to manufacture that condition of mind which we call good-will, just as much as it is up to him to manufacture any other finished product out of the raw material that he buys. The finished product to be saleable must be good, and I take it as an axiom that without good-will

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within the works one cannot have good-will outside the works.

I hold to these three propositions:

(1) *In proportion to the harmony in the organization so is the profit in the product. When you have the people, 75% of the business battle is won.*

(2) *Manufacturing consists primarily in making men—they will attend to the product.*

(3) *The making of men involves the developing of the brain service of the whole human element and then concentrating this force along a specific line of action and toward a definite goal.*

The object of Industrial Democracy is to gain a collective human interest. It is perfectly possible to gain it. So easily possible indeed that I look forward to a time when bankers will examine the human asset before they check the statement of condition—when no appraisal of a corporation will be complete unless it contains a history of that corporation's relation with workers. I take it that we will come to regard the now familiar phrase "not responsible for strikes, lock-outs, or other delays beyond our control" as a confession of an inability to deal with the biggest asset of

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business. When a man states as a fact that he considers strikes and lock-outs as beyond his control, he inferentially states that he does not know how to do business—that he simply is throwing up his hands and passing the solution of the human equation to luck.

For business today is not the business of our forefathers; it is no longer individual; the hand craftsman has disappeared in all but a few trades; we do business collectively; no one man makes all of anything. The workman has lost his former individuality and has become part of a great manufacturing machine. Before the division of labor and application of power (which we call the industrial revolution) any man in almost any line might set up for himself with his bag of tools. But now he needs more than a bag of tools. He needs machinery—he needs capital. Even the smallest enterprise, for instance a tiny machine shop, represents a greater investment than the average worker can lay by during a normal working lifetime. Capital, too, has undergone a change. Years ago a rich man was one who had broad acres and tenants. Today he is the man who holds the bonds or shares of an industrial adventure. His industrial adventure requires workers. His capi-

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tal, if not used, does not remain inert; it actually depreciates by a kind of erosion. The capitalist today is as helpless without the worker as is the worker without the capitalist.

Capital and labor are not alike. They travel the same road only up to the division of profits; there the road forks and we do not yet know just how the profits may reasonably be divided. We do not know how much labor should have and how much capital should have—certainly neither should have all the profit, for then the other must starve and die. Perhaps it has required the Russian revolution to teach this lesson to the unthinking. There the workers thought to take all the profit of industry. Consequently capital has died and there is no industry. The interests are not identical, but they are complementary and in many aspects so nearly identical, that, with some reservations, they can be considered as identical. This identity unfortunately has only begun to be accepted. There is a feeling that capital may conquer labor or labor may conquer capital and that the victor will not perish in his triumph. But if we clear our vision we cannot fail to see that modern business is not a question of a man or men representing capital, hiring another group representing

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labor to work for them and make their capital productive. Business is more than that. It has passed into the institution stage and its success depends upon the full coöperation of all members —that is, depends upon the acceptance of a common policy and a mutual aim.

Yet we continue to compete. Old-fashioned owners expect people to work *for them*. *Working for* spells competition; *working with* is coöperation. It is to attain this *working with* that my Business Policy was formulated.

THE PAYMENT OF THE WORKERS

I have given the basis and the mechanical workings of Industrial Democracy, but I have touched very lightly upon the subject of wages—of the remuneration which should accompany a *square deal* policy. I have reserved wages until toward the end because they are distinctly secondary to the broad principles of fair dealing. They are incidental in a way; they are a detail and not a foundation. A proper industrial relation cannot be achieved upon a merely financial understanding. You can hire men but you cannot hire brains—you cannot hire heart interest. Business and interest make for industrial happi-

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ness. One often hears employers say, as though they should receive congratulations, "I pay the market price for labor."

Mere hands have a market price; hands and brains have none. I think that this has been conclusively demonstrated by the increases in the wages granted or compelled during the war period. Paying higher prices for labor has not brought efficiency. Of course, considered from the bread standpoint, many of the wages have not actually been raised; they have merely been adjusted to the shifting purchasing power of money. But in many other cases from the bread standpoint, they have gone up. There are quite a number of instances where the sums now paid have a 20% to 30% increase in purchasing power over the highest wages previously paid. But has production then also increased in proportion?

Wages are low or high according to the production that they cause. A wage of $10 a day is cheaper than a $5 if the $10 man turns out $10 worth of production and the $5 man produces only $4. We have found that production has not improved with wage increases and especially that increases gained through compulsion, force, or violence have been reflected in a constantly

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lowering quality and volume of production and also that in the highest paid institutions the rate of turnover of labor is abnormally high. A worker will no more perform at his best solely for money than will any other human being and, therefore, I am at variance with all modes of management which concentrate upon the pay rather than upon the human interest.

Take the familiar case of the production bonus. We put a premium upon the amount of production rather than on the grade; we do not inculcate the habit of good work but transfer the operative's attention from the quality to the quantity. For a time he will undoubtedly produce in quantity by "speeding up," but because we, in effect, penalize him for care, he must go forward with an "anything goes" attitude. There is no question in my mind that the losses thus incident to defective goods overcome the apparently increased efficiency.

The aim of the workman should be to produce first-class articles and he will produce them if he has a pride and an interest in his work. But he cannot have that pride and interest if his output represents only dollars for quantity.

The underlying principle of Industrial Democ-

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racy is the *square deal.* Starting with a desire to be fair makes fixing wages a very easy matter. The men themselves, through the machinery of democracy, will come to a consideration of their own wages with precisely the same method of approach they would have were they paying those wages to someone else and not to themselves. I do not advise abolishing all wage scales with the introduction of democracy. To abolish all existing rates and to say to the workers "Now go to it. Fix your own," would only be inviting chaos. My course is simply to let the wages stand and trust to the people themselves to bring up increases or adjustments as the case may require. They will do this fairly. I have had a very large number of instances in which a lowering of rates has voluntarily been asked, because under improved conditions the men were getting more for their work than they thought their services was worth. And yet I do not doubt that those very same men would have started a riot if the management had arbitrarily lowered the rates! The representative plan of Industrial Democracy will attend to wages more fairly than is possible for any member of the management, but with this one provision—*there must needs be*

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some payment on top of wages which will represent in money the interest and better work.

PROFIT SHARING

The added payment, at first impression, would seem naturally to take the form of a share in the profits and there are many who advocate profit sharing without stock ownership as a way of bringing about a very desirable partnership between employer and employee. There are also those who think that helping employees to buy stock will put them into a community of ownership with the corporation.

Stock purchasing is to me aside from the question. I think that it is highly desirable that employees should own stock and I am in favor without reservation of practically all efforts in the way of inducing employees to purchase stock and of making their payments easy for them. The immediate difficulty is that the average employee cannot possibly set aside sufficient money out of his pay to buy a large enough block so that the dividends on it appreciatively affect his income. Further, he does not intimately connect his daily tasks with his semi-annual dividend—he knows in a general way that work affects the

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dividends but he does not keep it before him every day and every minute—the dividend periods are too infrequent. Therefore I take stock purchasing by employees primarily as an encouragement to thrift and not as an aid to a better industrial relation. Profit sharing without stock ownership —considering the workers and the corporation as partners—is on a different footing.

Undoubtedly the phrase "profit sharing" is alluring. It seems very fair to share the fruits of industry—to make the workers partners with the company. But is it basically sound? The stockholders or the owners of an investment are not in like case with the workers. The one offers to gamble his money against the chance of profit; the worker is paid for his services—for his contribution—and he has no power to ensure that his efforts will result in a profit upon the capital. He knows that his work, well done, should result in a profit, but he does not know how many other considerations may step in to diminish that profit. He is not a co-manager; he is a worker. It is the decisions of others and not alone his work which determine profits. He can fairly ask that he receive for that which he supplies—his work—but for nothing else. Are we not trying to mix oil

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and water when we seek to mix the return of the worker and the profit of the corporation?

I can conceive that the wages might be considered as a drawing account against profits and that the stockholders and the workers could then pool their interests in the whole outcome; or again I can imagine a case where the worker might have enough to live on during the three or six months between settlement periods and then take his share. But in the plans which I have seen, the workers and the shareholders do not pool their interests and it is out of the question to assume that workers can exist for several months without drawing pay. The usual profit-sharing scheme simply says that a certain portion of the net earnings applicable to dividends shall be set aside and distributed to the workers according to their salaries. Sometimes only the executives are included, or a certain period of service must elapse before profits are shared, or again the distribution may be made to all who are in the employ at the particular time. When the executives alone are included, the plan seems to work because the executives are the ones who commonly have in their hands the making of profits. But the workers seldom consider the payment in its dividend

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phase. They regard it as a kind of bonus which reaches them without much rhyme or reason—as manna from Heaven.

Sufficiently educated employees may grasp corporation finance. If so, they are then entitled to a share in the determination of the profits—to a distinct voice in the management. Such a voice is seldom given; it is rare to find directors elected by employees and still rarer to find them with any real say in management. As now constituted, profit sharing is only an arbitrary bonus. It is not mutual, for the workers cannot also be asked to bear losses; the stockholders have to bear losses—the loss of the earning power of their money through the passing of a dividend or an actual depreciation of their capital investment through the impairing of the capital fund.

Practically considered, profit-sharing plans are ineffective with the workers because the dividend periods are too remote from their daily work and also because they do not understand the complicated accounting by which the payments are arrived at; thus the dividends do not help to interest them in the daily tasks.

After a long investigation of many systems I have concluded that it is unfair to permit the

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compensation of the worker to depend upon any factor which he does not control; he may do his work well and find that there are no profits because the company did not sell at a proper price, or granted improper credits, or did any one of the thousand things which lose money. If under profit sharing he does his work and gets no dividend, he is very properly dissatisfied. I therefore have thought out a plan of making the pay dependent upon only that which the workers accomplish.

THE COLLECTIVE ECONOMY DIVIDEND

What regulates wages? The productive capacity of the individuals in the mass. Wages are not absolutely high or low; they are in comparison with the efficiency of production. Why not then base the increment to wages on the efficiency of production? That is my plan in a word.

Here is how it works in practice. I take the cost of a unit of production in the period preceding the introduction of Industrial Democracy and compare that cost with the results after democracy has gone into effect. If there is a saving, then one-half that aggregate saving is the amount of the economy dividend for the period and is paid

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to the men as an added percentage to wages. This is a dividend upon service. It should be paid at intervals not longer than two weeks, to preserve it as a matter of current, everyday interest. I add to it the element of competition further to stimulate. I arrange for the award of a banner to the department which shows the greatest saving for the two weeks. The banner —always a large American flag—is a prized possession and is fought for in the field of greatest benefit—economy.

The dividend is regularly calculated on the basis of the savings. Thus it fluctuates and this again increases interest, for it often is possible to post up just why the dividend is low—absence of workers, carelessness, or what not. And then absence and carelessness take on a very definite money value.

The economy dividend is not solely an accounting affair; it is a relation of service with income and takes into account the savings in defective output, the better quality of the product, and the general betterment of the business. It is arrived at by thinking as well as by accounting.

But how can such dividends be calculated in times of rising costs and how is it possible to say

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that this or that economy was directly due to the work of the employees? Take the second question first. All economies in production are not due to employees, but I have found, under Industrial Democracy, that the employees suggest the majority of improvements ahead of the management—that they are very quick to discover how anything might be done better. And hence the agreement that they share in all economies effected works out very fairly. And if the management should make an improvement which was not the result of an employee's suggestion, the plan ensures that it will be heartily put into operation.

Now for the first question—the calculation of the dividends when costs are rising. Economy is a relative term. I calculate the *relative* saving in cost of production. Suppose wages, materials, etc., have risen 50% over a former period but production costs have gone up only 30%—then have not the production costs relatively decreased? I take it that they have and I award dividends upon this basis. In the case of a very large dividend during a single period it may be advisable to distribute its payment over more than one period and in this case the undistributed surplus goes into an employee's dividend account for future

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distribution. For instance it would not pay to sandwich in a 50% dividend between two 15% ones.

Another natural question is this: Will not the economies soon reach the limit and thus cut off the dividends? When they do reach that limit we can devise another plan, but when I consider the actual efficiency of manufacture as compared with its possible efficiency I think that none of us will live until the day when manufacturing perfection has absolutely arrived. You will recall that the piano company (Chapter III) has developed marvelously and yet has not even approached the limit. I think that the fear of perfection is scarcely an objection! My eyesight has never been strong enough to see a limit to improvement.

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CHAPTER VIII

INDUSTRIAL DEMOCRACY, THE EMPLOYEES, AND THE UNIONS

THE reaction upon the workers of the spirit of the square deal as administered through Industrial Democracy has in every case brought at least these five changes:

1. *An increase in production.*
2. *A decrease in the cost of production.*
3. *A decrease in the labor turnover.*
4. *A reputation throughout the community as a desirable place to work in and consequently a greater ease in hiring men.*
5. *An immunity from strikes and other labor troubles.*

This has, I grant, some of the earmarks of the industrial millennium—it sounds a bit too good to be true. I admit that often the results astound me until I reflect that I should be no more surprised by workmen in mass being efficient than by

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a single worker. It is simply that we have gotten into the habit of thinking that sloth and inattention are the natural attributes of the man who works for hire. But it is just as natural for a man to exert the best that is in him when working in a shop as when playing on a baseball team. The real trouble is that we have denied him the opportunity and the reward for self-expression in the average factory; we have organized with so little attention to the human factor that we have in effect thrown away brain power and taken only body power. We have become so obsessed with the utility of machines that we have tried to make a machine out of a human being.

Everyone grants that mere opportunism will not make a big man—that the larger material successes in life are the products of imagination as much as of any other quality; but we forget that these same qualities are useful in every sphere of life—that each job, no matter how big or how small, is capable of expansion. One frequently hears the term "unskilled worker"; it serves well enough as a designation for the man who has no particular trade, but it should not be the classification of a job. There are no tasks which do not require some measure of skill if the whole of the task

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is to be realized. Industrial Democracy speedily transforms "unskilled" jobs and in a perfectly natural way. A task needing little dexterity is usually subsidiary to a more skilled one; in a way it feeds to it. The trained worker is the first to grasp the opportunities of working *with* the employer and very quickly he takes notice of the ineptness of the laborer and at once proceeds to instruct him—to make him a skilled laborer. The passing of the common laborer is immediately reflected in the labor turnover; it has been wrongly thought that one man was about as good as another in these classes and not much attention has been paid to them—they have been allowed to come and go almost without remark. The waste through having "unskilled labor" about has been prodigious; no one has been able even to estimate it.

It is inevitable that the coöperative feeling should extend to bringing up the grade of the laborer and giving him a future. Commonly he is disregarded by the other workers; they call him a "wop" and dismiss him as such. But with the economy dividend, coöperation has a definite money value; what another man is or is not doing becomes a financial as well as a moral concern to

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his fellow. It is money out of pocket to have him loafing or going about his task in snail fashion. And the other workers quickly see to it that no man about the place does loaf—something which no boss could possibly do. The "unskilled worker" is eliminated in Industrial Democracy because he is not efficient—he is eliminated not in the flesh but in the spirit. He is made over into a new being.

EFFECT ON PRODUCTION

The coöperative exertion at once makes itself felt in production although I have never stressed quantity of output. My theory of business is that quality should control quantity and that the truly successful enterprise is that which makes the *best* in its line at the price. It may also turn out the *most*, but I regard that as secondary—that quantity must never overshadow quality. A uniformly first grade of production ensures a continuity of demand that makes for stable, profitable business. But greater production is an inevitable sequence to putting the heart into the work. You cannot drive a man as fast or as far as he will go of his own tense will and this has been proven to me time and again. Self pro-

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pelled, workers will make, and without effort, production records that could scarcely be attained by inhuman "speeding up"; they use so little effort that they are surprised when they see the figures! In some instances it is possible to point out specific mechanical improvements which are responsible for part of the increase, but always the really big improvements have been personal and not mechanical—human improvements that produce new machines and methods. The pace does not come from "speeding up" as under the Taylor and other efficiency plans; it comes from within, not from without. I take the general leavening as much more important than single noteworthy performances—team play as more important than individual star plays.

Look at a few records of what has been accomplished without additions of equipment and sometimes with an actual decrease of personnel:

An Ohio steel fabricating plant paid riveters 37.8 cents and 28.3 cents per hour in April, 1917. and the record for the assembly room then stood at 15,017 rivets; exactly four months later they were paying 47.2 cents and 35.4 cents respectively to the same classes of men, but the average of rivets had risen to 18,967. This is only one of the

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many cases where wage increases have brought cheaper production.

At the Atlantic Refining Company of Cleveland the production increase per dollar paid in wages (the real economy) is represented by these startling figures: April, 18%; May, 21%; June, 33½%; July, 44%; August, 74%.

The Kaynee Company, makers of blouses, in ten months increased their business 34%. Formerly they had worked many nights and most Sundays in an effort to keep abreast of orders; they made this remarkable increase, but were able also to do all the work in shorter daily hours than before and without any overtime whatsoever.

The Printz-Biederman Company of Cleveland reports a production nearly 50 % in advance of all previous records with a net increase of perfectly made garments and a net decrease in the cost of manufacture, at the same time increasing wages and decreasing hours. A textile manufacturer increased production one-third within a year and also eliminated all overtime and Sunday work and cut the day from ten to nine hours. The American Multigraph Company, because of the coöperative, interested spirit of the employ-

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ees, increased more than 40% over its former standard for a year.

But what is more important than these startling increases in production is the fact that in every case the quality of the product bettered as greatly as the production. It is an approach to perfection when quality increases with quantity. That is real manufacturing!

These results have not been attained (as I have tried to show in the preceding chapters) in any one line of work or with any one class of workers. Industrial Democracy is in operation with makers of women's wear, men's clothing, boys' waists, paper bags, pianos, steel, automobile parts, paints, furniture, tobacco pipes, textiles of various sorts, and in several machine shops. The workers are both male and female and hail from all classes, some American, many foreign, some speaking English, some speaking little or none. In short, we have tried out Industrial Democracy with every possible combination and permutation of labor and in nearly every section of the industrial East—in small towns and in large cities. I can find no single controlling circumstance running through these various installations of such a common nature as to permit one to ascribe suc-

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cess to anything other than the basic spirit of the organized "square deal."

HOW THE WORKERS RECEIVE THE PLAN

It must not be imagined, however, that the working people have been eager from the start for democratic government. They have not been eager for anything but high wages for little work. Rather, that is what they all think they want but really they never know what they want. They are restless in hopeless fashion; they bay at the moon, they work for this or that generally in terms of money, but are never satisfied when they get the money. In no case have they thought of self-government. The English labor party in its "platform" asks for a greater share in the management of industry, but I suspect that this is largely a socialistic demand and that Mr. Arthur Henderson would be at a loss to suggest specific ways to put the ideas into force. In America I have not discovered any apparent desire to participate in management; in fact, the tendency of the union has been to discourage any steps to make the relations between employer and employee other than one of bargain and sale. I have found no particular welcome for my ideas; I

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have usually been received with suspicion as a "guy" taken on the management to "put something over."

We have talked too much, preached too much *at* employees. We have tended toward moralizing and sermonizing as from a pulpit and have assumed that only the men were at fault. That is the trouble with most "welfare work"—it stoops down to uplift the "fallen worker"; it does not regard him as a reasoning human being, but as some kind of an animal which ought to be taught to live—as living is defined by the welfare worker. I have no quarrel with what welfare work teaches; I think it is right that shops should be as clean and pretty as the circumstances will permit, that employees should live in neat houses and have flowers, and that they should have full opportunity for education. But I take it that all of these things are merely incident to employment —that they are a duty. What I do not like is the welfare work of what might be called an evangelistic character directed by the too common type of social worker who is a product of some charity organization—the kind of worker who noses about in the homes and stops at no invasion of private life. That sort of welfare work does a

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deal of harm because only the most ignorant of foreigners will not resent prying and meddling. Therefore when I begin to talk of Justice I must always overcome the strong sentiment against one-sided preaching; I have early to demonstrate that what I say applies to the management as well as to the men and that we are all on exactly the same plane.

The second big suspicion is that I am a disguised efficiency man and that I am going to pull some new "speeding up" stunt out of my bag. The very large number of first-class efficiency men have had the misfortune to be classed with the comparatively few charlatans who masquerade as experts. Indeed the best men in the profession have adopted the title of "industrial engineers" to try to get away from the prejudice against false efficiency. The trouble with the "fake" experts is that they have seldom done more than wholly upset working conditions in trying to transform men into machines, quite regardless of the men themselves. Thus they have earned a great measure of ill-will by making unpleasant tasks even more unpleasant, and aided by the welfare department, have fostered the idea that employers generally are trying to produce a race

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of healthy, docile work horses. G. K. Chesterton has so stamped all the English welfare effort. The socialistic labor agitators have not lost a chance to add to this idea and, unfortunately, some very well-meaning capitalists have played up to the opinion by posing as benevolent despots. Thus I have at least a double-barrelled suspicion to overcome and it is not an easy task to get down to a footing of mutual trust. It takes weeks and weeks to replace ill-will with good-will; my practice is not only to create interest in the business policy of morality by straight, simple talks, but also to go about among the men in man-to-man fashion, to talk with them and generally to get on a basis of trust and friendship. I like to do this: I could not do it were I not sincere in my conviction that I can do no greater work in life than to spread the doctrines of Industrial Democracy, and thus give hope to workers. It is a task for which absolute sincerity is a prerequisite.

It is right at this point that the personal element enters in the introduction of democracy—as I have mentioned in the preceding chapter. In even the fairest shops there are many petty injustices done from day to day which never come to the attention of the higher executives; foremen

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will tyrannize now and again, workers will haze unpopular associates; pay masters will make errors and, often in the lofty manner assumed by some clerks, refuse to correct them. These little incidents make for hard feelings—they are held against the owners—and, before getting on a broad, firm platform of justice, it is quite necessary to see that little injustices do not exist. Once the machinery of Industrial Democracy is working, these matters are taken care of, but in the early days it is well to make sure that they are corrected at first hand. It might well be that no member of an existing management could sufficiently gain the confidence of the people to do his selling work, but that is an individual matter. The big thing is to make certain that it is not only done, but done in entire sincerity.

Selling basic ideas of fair play through the successive meetings for the adoption of the Business Policy is in reality a course fitting for democracy. Just as it would be unwise to turn a monarchy overnight into a complete democracy so is it unwise to make a sudden change in the management of a company. It is better to go at it gradually, first to inculcate the principles upon which you are to proceed and to educate the people to a con-

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ception of the functions which are to be placed with them. Perhaps they start with a notion that capital and labor are of necessity antagonistic; often I know that they do approach from that angle and, if at once put in control, they might rival the Russian Soviets in the distance of their circumlocutions. I am not sure that they would; there is a very fair amount of common sense in every group of workmen in America; they may talk wildly when they are merely talking to arouse, but when it comes to action they are law abiding to the last degree. They are not Russian peasants. However, it makes for smooth process for all to have a common intention from the start. Developing the common intention creates interest, and when the democratic organization finally arrives the people have a very definite idea of what is to be done.

I have had many rabid socialists and a few anarchists in my meetings; I welcome them. Once they become convinced of the essential fairness of the plan, they use their undoubted forensic talents to aid in development. No matter how destructively a worker may talk out of meeting I find that as a legislator he is conservative—that he will not try to derange his own people. There

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seems to be a vast difference between prescribing for the world at large and prescribing for the men and women right in the neighborhood. Abstract theories fall before the stone walls of fact.

Curiously enough the votes of the legislative bodies in Industrial Democracy tend to the conservative and incline toward the company rather than toward the workers. Indeed sometimes laws are passed which seem too harsh and the Cabinet finds it necessary to ask for modifications to lessen the severity. This is particularly the case with respect to penalties for absences and the like, whereby dividends or parts of dividends are forfeited. The dividend provides the legislatures with a weapon which they are sometimes too prone to use; they underestimate the force of public opinion which is their real weapon and, factory fashion, think that a penalty should always be provided. The punishment nearest at hand and easiest to enforce is the forfeiting of a dividend or a part thereof. Sometimes they thus make the penalty too great. As they grow in legislative experience, they find that money penalties are not the most efficient and they are sparing with them. The fully developed spirit of coöperation resting on public opinion is shown in this communication from a

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committee of the House of the Printz-Biederman Company on the shortening of work hours:

June 1, 1915.

To the House of Representatives:

Your Committee appointed to draft a bill recommending the reduction of the working hours to 48 hours per week, and recommending the necessary rules and regulations applying to such a change, submits the following for your approval:

We recommend that the working hours be reduced from 49¾ hours to 48 hours per week.

In consideration of the foregoing the employees of the Printz-Biederman Company guarantee their earnest co-operation to give 48 hours of actual service. This does not mean any harder work on the part of any individual—it merely means increasing each individual's efficiency as a workman, and the elimination of all things which now cause loss of time.

The greatest loss of time now occurs through the following causes:

Tardiness in arrival.

Leaving the work before closing time for washing up and changing clothes.

Conversation during working hours.

Misuse of the toilets.

As a first consideration, we wish, however, to recommend the following plan for the elimination of tardiness:

An honor system should be made, similar to that followed out in the grammar grades, that is, those people having a perfect record of being on time every day in the week should have their names appear on the bulletin boards, also those having satisfactory records. Every few weeks or so, convenient to the time office, there could be posted a record of

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those names that appeared the greatest number of times on the weekly notices, and a reward granted. The reward, however, is optional.

In order to make 48 hours not only a reality, but a success, these things which at present cause so much loss of time must be eliminated. This Committee, therefore, recommends that each individual be advised by a personal notice regarding this recommendation, and asked to give their best coöperation to prevent loss of time for any of the above reasons. It will be necessary for each individual to be prompt in his attendance not only in the building, but at his work. That is, each one should be ready to work when the bell rings and should not leave his work until the closing bell.

In the event of the adoption of this resolution, we suggest that a warning bell be sounded five minutes before the regular working bell, both in the morning and at noon.

Of course, it is to be understood that it is necessary to wash the hands quite often during the summer months in order to prevent the garments from being soiled. This should in no way affect the consideration of this resolution.

Time lost because of the management of the factory should in no way affect this resolution. If there is any time lost in any department because there is no work on hand, the individual employees are not responsible. However, everyone should coöperate to eliminate as much of this as possible and should not hesitate in recommending plans which might better these conditions.

It is further recommended that the foremen be on time to give their service to assist this Committee in the elimination of tardiness.

It has been deemed advisable to recommend no punishment for the individuals who do not comply with these requests, especially when each must realize the effort which must be put forth to make the 48 hour week practicable.

It is to be understood that those who do not comply with these

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recommendations are condemning the 48 hour week and are utterly selfish.

It is further recommended that three members of this Committee be permanent members and they, together with three members appointed by the Senate, shall be expected to submit necessary rules and regulations as they are required, which shall guarantee that every employee, regardless of any condition, do his part in the furtherance of giving 48 hours of service—these rules and regulations to be approved by the Senate and the House of Representatives.

The working period to be from 7:15 to 4:45 with forty-five minutes for lunch on five days of the week and 7:15 to 11:30 on Saturday, beginning Monday, June 7th. The reason the Committee recommends these hours is in order that the employees may avoid the rush hour on the cars in the evening and also it was felt that fifteen minutes at this time of the day would be more appreciated than in the morning. It was the opinion of the members of the Committee that those who have had difficulty in being on time at 7:15 would find it no easier to be on time at 7:30, or any other hour which might be adopted.

Respectfully submitted,
THE COMMITTEE,
H. WEBER, Chairman.

I have not found anywhere a desire to change the general internal workings of the shop or to dispense with local executive control by the foremen. The foremen, it must be remembered, sit in the Senate and thus are part of the legislature. They have, as noted in the cases, a joint law-making power with the workers and through the proceedings and votes of the House quickly learn the senti-

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ment of the people. They are stripped of arrogant power by reason of the right of appeal and investigation. Every employer knows that one of the most prolific sources of discontent flows out of petty tyranny by foremen. The men who come up from the ranks are proverbially the harshest task masters.

Nothing has arisen to lessen or displace the authority of the foreman or sub-foreman, but there is no room in Industrial Democracy for the autocratic subordinate who does not share in the spirit of the new freedom. And this is as it should be. It is of the utmost importance to the management that no foreman who cannot coöperate with the men should hold his place. They must be leaders and not drivers. Generally I have found, however, that the foremen fall very quickly into line—that they are really glad to have the opportunity to work with their people and that the pose of absolutism has been assumed through a fancied necessity and not because of desire; they are quite as ready to drop it as the men are to have them. The misfits are few, and they are real mistakes which should have been corrected in any event.

The right to review by the workers does not operate to lessen the foreman's authority; rather

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it tends to strengthen it. Both he and the worker know that bluffing is out of the question; that an investigation will uncover the truth. Hence the worker will not kick for the mere love of kicking, nor the foreman exert authority because he likes the feeling of power. Orders are not given without a comprehension of their justness and therefore they are given surely in the confidence that they should be obeyed; and they are obeyed.

A worker cannot refuse to obey because he thinks the order is unjust; he must do what he is told. The rules are absolute on that point, for otherwise discipline would be replaced by argument, which everyone agrees would be destructive. There has never been manifested the least tendency toward holding obedience in abeyance pending an appeal, as did the Russian soldiers so disastrously. On the contrary, the order must be carried out and its justice later inquired into. And there are really very few appeals or requests for investigations of grievances—I can almost count them on my fingers throughout all the plants where Industrial Democracy is working today. People are much more exercised over their right to appeal than actually to appeal; the right to have justice tends to promote justice.

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But suppose an appeal is taken and resolved against a foreman and in favor of the worker; does not that put the worker in a bad position? Will not the foreman hold it against him? One would imagine so. But such is not the case. The foreman seldom harbors any particular resentment, nor does the victorious worker "crow"; the one swallows his defeat and the other his victory. For each knows that it will not be profitable to keep up the row, bring on another investigation, and possibly run the risk of dismissal. Of course one finds, as in everyday life, a few nuisances with a passion for litigation, but they are either reformed or gotten rid of by the workers themselves.

LABOR TURNOVER

Without a mutuality of work, the hiring and firing of men is not of concern to the employees and only of incidental interest to the foremen. A foreman thinks it is a perfectly good excuse to say: "I could have gotten that out but I did not have the men."

But firing men is not coöperation and also it cuts dividends. The Senate holds foremen responsible for the turnover within their sections—when a man is discharged, some good explanation must

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be given even if the matter has not come up on appeal. And when a man leaves voluntarily the foreman is expected to know why and to be able to say what he did to prevent the going. The labor record has great weight in determining a foreman's standing with the Senate and if the turnover is abnormally high he is sure to be investigated. That cuts out indiscriminate firing by foremen.

But I think it is the men themselves who have the greatest effect upon turnover. The older hands know that once a man clearly understands the principles of democracy and the square deal, he will not want to leave and they take it upon themselves that no workers leave simply through a failure to appreciate conditions. The turnover among the men is generally very low indeed; when one omits the withdrawals due to the draft, death, or illness it is rare for any working man to seek a new job, provided he has stuck for three months. We everywhere take it as a surprising event to have a man leave for higher wages or any of the common causes of job shifting. Such things simply do not occur, because the spirit of fellowship is so great that there is no desire to "float" and the economy dividend makes such a satisfactory addition to wages that it is seldom

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that men can be bid away. This has been the universal experience in all of the installations. There must be some hiring; in a large force changes are bound to occur in personnel through unpreventable causes and also there is always the matter of taking on additional men to meet the needs of increased production. Since the beginning of the war it has been almost as hard to hire men as to keep them, but not a single plant under Industrial Democracy has had the slightest difficulty in hiring men, although none of them have been able to offer wages approaching those of the munition workers. The news of square dealing travels rapidly; it is not necessary to advertise it—the men about soon learn of it and they seek the jobs instead of insisting, as is the rule in these times, that the jobs seek them. Not a single one of the plants has found it necessary to advertise for workers, except in the cases where new departments for government work were opened. In nearly all of the plants there are waiting lists of applicants for jobs.

THE ATTITUDE OF THE UNIONS

Since all disputes and wage matters pass through the deliberative bodies elected by the

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people themselves, the opportunity for strikes from within does not exist. There has never been a strike in the history of Industrial Democracy. But how about strikes from without? How about the unions and the closed shop? Are all of these shops open?

Let me give some incidents. The Printz-Biederman Company had an open shop, although many of the employees were union members. On September, 1915, the Garment Makers' Union decided to unionize Cleveland and to start with this shop. The employees heard of the intention through the newspapers; the Senate and the House passed a resolution and it was ratified by the general mass meeting. Here is the resolution:

Whereas the article appearing in the *Plain Dealer* under this date and attached hereto conveys a false impression concerning the working conditions in our factory and further indicates our plant as the object of an unjust attack; we, the employees in the House of Representatives, and Senate, specially assembled this third day of September;

Resolved, that the action of the Printz-Biederman Co., in giving us for the past two years such full authority to change any and all working conditions in our plant is fully appreciated by the whole body of employees, numbering about 1,000 people and it is

Resolved, that we, the employees of the Printz-Biederman Co., hereby express our strong disapproval of the action taken

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by an outside organization as shown in the proposed demand referred to in this newspaper article, and be it further

Resolved that we tender to our company our most earnest and sincere support for the present most fair methods of conducting the business.

If we knew any stronger language of expressing our full satisfaction, we would use it.

Chairman, House of Representatives.
President, Senate.

The union never presented a demand. The agitators left town that night.

At a metal working plant in Fort Wayne, Indiana, a mass meeting of the employees voted against a closed shop on the simple principle that they did not think it just to force any man out because he had not a union card. A majority of that meeting were union members. The shop did not have a strike, but later strikes were called in every *other* machine shop in that city which did not close to non-union men.

From this it might be imagined that Industrial Democracy is opposed to union organization. It is not. It sees no point of conflict; that has also been the view taken by union leaders when they have come into actual contact with it. In every case wages are as high or higher and hours as short or shorter than the union scale for the district. There can be no serious disputes result-

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ing in breaks. For, just as the people of the United States, no matter how bitterly they contest an election, always accept the decision of the ballot, so it seems do both employees and employers when put upon the same basis of government.

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CHAPTER IX

INDUSTRIAL DEMOCRACY AND THE EMPLOYER

DOES granting a measure of autonomy to the worker lessen or strengthen the authority of the employer?

We are not anxious for any dividing up of property or for proletarian control, or for anything which smacks of them. The president, directors, and other officers of a corporation are, in a sense, trustees of the funds which have been placed in their hands for operation. Regardless of their personal views on social subjects they are not, under the rules of common honesty, at liberty to try any fantastic experiments which might cause their trust to be dissipated. An individual, as long as he protects his creditors, may play any sort of game he fancies with his money, but corporate directors are not in like case. They are not expected to take chances other than those rising in the ordinary course of business. They should approach every problem with a considerable degree of conservatism; not with hide-bound

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and impervious minds, not with intelligence chained and fettered by precedent, but with open minds, with the keen desire—"to be shown" attitude. There are limits to conservatism. Plunging wildly ahead in the dark may be less dangerous to the welfare of a corporation than crouching fearsomely in the darkness. The plunging may end crashing against a wall or again it may find the way out. But the fear-palsied are bound to stay where they are. Conservatism is a virtue not to be confused with abject mental inertness—with "standing pat."

In these stirring times no one can afford to sit still. When evolution ceases, revolution begins. We have problems all about us which will not solve themselves. A doctrine of *laissez faire* is as dangerous to an industrial unit as to a nation. We are constantly finding ourselves face to face with unprecedented situations. We can take it as an axiom that the measure of the success of any business in the future will be precisely in accordance with the flexibility it shows in adapting itself to new conditions.

Take manufacturing. The properties of raw materials will not change—we may have to learn to use different kinds of materials, but that is

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beside the question; it may continue for a few years to be harder to buy than to sell; then probably it will become hard to sell and easy to buy. But the ordinary machinery of commerce will remain essentially as it is now. Then where will the great change come? In that element for which we have as yet no gauge—the human factor in business.

Our human resources will change. They are now out of tune with industry. The relation of employer and employee is in a state of suspended animation. There are few who will deny that we urgently need a new relation between capital and labor. Those who call themselves "radicals" insist that the Government find this new relation. I am not myself convinced that the Government can happily adjust industry. I should personally view the wholesale regulation of business by the Government, once the war is ended, as an evidence that the business man is incapable of adjusting himself to new conditions and has to appeal to politicians to do it for him.

The big man sees these facts; he looks them squarely in the face. The little man lacks the courage to view facts; he hopes to avoid them by shutting his eyes. The big man realizes that up

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to the present time "hands" only have been employed and the biggest of them regret that they did not see years ago that human beings have also "heads" which can be of service in business; heads and brains, capable of adding intelligence to the work of the hands. The big man further knows that he cannot gain the use of brains by national edict; that he can persuade them to work only through some process of coöperation.

A static conservatism in these dynamic times is not a virtue. The real question which now confronts the owners or trustees of any business is this:

"How can we adjust the human relationships in our business so that we may continue to be factors in commerce?"

One need no longer fear to take steps lest one endanger the investment—the investment is already in danger. The question now is to save it.

We are fond of talking about the permanency of our business organizations; we like to think that they can run on and on, regardless of the individuals in charge; that they are vast machines propelled by natural eternal forces and not by transient human beings. I have yet to find such an organization.

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Many businesses have evidences of permanency, but a close investigation of some of them uncovers the fact that they are really running on momentum—and it is well to remember that momentum spends itself if the executives do not add the force of new ideas. Every live, successful business depends ultimately upon the energy and discernment of one man. A few companies are fortunate enough to have an unbroken succession of competent executives. Generally, however, if you plot the curve of success in any business you will find that the peaks happened when a strong man sat in the executive chair and that the valleys came about when a weak man held down the chair. Some parts of an enterprise may be made almost mechanical. To some degree you can reduce finance, and to a very large degree buying, making, and selling, to plans and methods which do not require more than ordinary, average intelligence to direct. But there is one side of business which up to date has not been charted—the human element. The big man succeeds and the little man fails, although they may be alike in technical skill because the big man knows how to manage the human element and the little man does not. If you will run over the roster of most

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of our big individual successes—Schwab, J. J. Hill, John H. Patterson, Ford, Marshall Field, Armour—you will discover that none of them founded success upon technical expertness as much as upon an ability to persuade men to *work with* them. The greatest of men cannot do more than develop the coöperation of those with whom they come in contact.

Individuals die; persons vary in their thinking from day to day and frequently are defective in their thinking, but principles are permanent. Would not business attain a greater permanency if founded upon a principle rather than upon an individual? Or, neglecting for a moment the permanency, would not the business genius find a greater play for his remarkable talents were he able to free himself from the intimate day-to-day supervision of employees?

I know of many successful men who take the direction of their labor as their first duty and pass fully half of their day mixing with employees. They find they can delegate almost the whole management excepting where it touches the human being. I do not know of a single management which has had harmonious labor relations and has not been a success. Neither do I know of

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any institution having continuous labor difficulties which has been successful when compared with its opportunities. Labor troubles are at the root of most business troubles. A fight between labor and capital is, if long enough continued, bound to result in the annihilation of capital.

There must be evolved some plan to show men how to get along together—some way that will be just to all parties in interest—to labor, to capital, and to the public. For it is to be remembered that a settlement between capital and labor will be but temporary unless the third party in interest—the public—be considered. That is the trouble with the financial settlements which are being made today amid the stress of war. They are exclusively for the momentary benefit of only capital and labor; they do not at all consider the public that pays the bills and without which neither can exist. Edward A. Filene, the Boston merchant, recently made this illuminating remark:

"No adjustment between the employer and the employee can be considered worth while, or of eventual benefit to either, unless it also results in lessening the cost of service to the consumer."

The question with which I opened this chapter —that is, the effect of Industrial Democracy upon

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the control of the investment—would be more accurately phrased:

"Can Industrial Democracy give such control of the investment that it may not only be saved but also strengthened?"

Every far-seeing, forehanded management knows that it must make a change if it is to retain control. Now look at the effect of Industrial Democracy upon the management. Let us see what it does to the investor's money and to the public. It is all very well to make the workers happy, but the end of business is profit. A policy which abandons profit in order to give contentment to employees creates an organized charity—a self-supporting, eleemosynary institution. On the other hand, we know that profit gained at the expense of the workers, wrung from them, is not only unwholesome and unsavory money, but also of a purely ephemeral character. Cheating workers is just as bad policy as cheating customers.

Although we talk a deal about democracy, we are unfortunately afraid to practice it. We feel, even if we do not say, that it may be an instrument wielded by those who *have not*, to take away from those who *have;* we mix it with communism, with common ownership instead of with common

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control, in spite of the fact that in the democracy as developed by the United States, the citizens do not usually insist upon carting home the bricks of the public buildings to demonstrate that they have an ownership in them. Industrial Democracy is, from the employer's standpoint, represented by a change of spirit and not by a change in the relative rights of ownership. It is simply a hitching up of labor and capital. It is removing the great power of *coöperation* from the field of fancy to that of actual, accomplished fact. The several departments of the business function as before; no powers are withdrawn; only remedies are set up for the abuse of power. Nothing but *ill-will* is taken out of the business.

Industrial Democracy is not a weakening, it is a strengthening; it is a providing of a mechanism to secure fair play and satisfaction; an infusion into the business of the propelling mental instinct. It is a change from a purely bureaucratic government to one of representation. We all know how infinitely silly a government bureaucracy can become, but we do not stop to think that a business bureaucracy can easily be as foolish; the languid, sneering, brainless government clerk who rouses in one the will to murder is full brother of

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the tired maiden who presides over the switchboard of the bureaucratically managed business office. Neither is a human being during working hours; they belong to that strange species known as the bureaucrat. The description of a governmental board as something long, and narrow, and wooden, applies equally to a board of directors which keenly feels the absolutism of its powers. Few men care to be tsars. They do not like the trouble which the exercise of absolute power entails; they would be glad to have someone else around to do a little thinking now and again instead of merely executing orders. Such a man finds no difficulty in acting as the chief executive under a democratic form of management. He issues his orders as before and they are executed; but when it comes to orders affecting matters of policy with the employees, instead of issuing an order, he makes a suggestion. If he is a real leader and a wise man his suggestion will have in it so much common sense that it will be enacted by the legislative bodies into law and then be heartily obeyed. If he is not a leader and has no right to be in the position, his orders will be unwise and therefore his suggestions in Industrial Democracy will not be put into effect as regula-

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tions. If he is discerning he will see that he has been saved from error; if he has not the discernment to know a mistake when it is pointed out to him, he should not be in a position to dictate. The man who has a right to be an executive will find that his powers are increased and made more effective. From the executive standpoint Industrial Democracy may be viewed as proof of the right to a position; from the investor's standpoint it presents itself as the most conclusive test of the fitness of the executives.

For the individual executive the transition is easy; if he has thoroughly grasped the Business Policy, he really does not know that he has made a transition. Only the insincere man will find the going hard; he will have endless difficulties and he will fail. It is not easy for a man, who for many years has considered himself a tsar, to relinquish his title, even though his head has become weary and the crown of power so heavy that it has slipped down over his eyes and blinded him to the facts. Such men are incapable of functioning in democratic government and I think the general opinion of business is that such men no longer belong in industry.

In two instances, and in only two, has Industrial

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Democracy been abandoned and in both cases it was abandoned because the executives belonged to the Kaiser type that I have just described. The system did not fail; it was unqualifiedly successful. The two cases are fundamentally alike. The one was a metal working shop in the Middle West, the other a large clothing factory in the East. The presidents were the founders and practically the owners of the enterprises. Each of them had been brought up in the old school of "bossing," of having their most trivial expressions taken as the law by those around them. Each had the attitude of "What I say goes" and any one who disputed their statements went forthwith and with a celerity approaching precipitancy. They had ruled their establishments with iron, although not always unkindly, hands; were, according to their lights, humane; but when they conceded a point they felt that they were being charitable and paternal and not simply just. Their morality was not unlike that of the Sadducees. They considered their employees as dependents and not as co-workers. They felt that they were not as other men, for they had, out of the vast depths of their abilities, created institutions which provided work and saved poor

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unfortunates from starvation. They dismissed from mind that they themselves were incidentally making millions. But I may say that their opinions were exclusive and personal; no one else shared them. The day came in each institution—the day that always comes—when the workers asked for more money and fewer words. The strike spectre loomed on the horizon and these strong, brave men, accustomed to bullying helpless individuals, quailed before the thought of mass action. For the time being they were ready to do anything to bring peace—the milk of human kindness fairly bubbled out of them. I made the mistake of thinking that they were sincere and I consented to go forward with the work of introducing Industrial Democracy.

In both cases I thoroughly sold the workers on the spirit of Justice, Economy, Energy, Coöperation, and Service, and established Cabinets, Senates, and Houses of Representatives. The strike talk stopped, the men went ahead whole-heartedly. Here is what the general manager of the metal plant had to say of the results after the plan had been in operation for nearly a year:—

"First, increased efficiency by the enlistment of interest and thought on the part of the employees.

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"Second—and possibly the more important—the building of stronger, broader men and women by giving them broader responsibility and wider vision, as by this method they are afforded an opportunity of seeing the problems of other departments and of the business as a whole. This results in a feeling of brotherhood and coöperation impossible to secure in the ordinary organization."

The clothing establishment was equally enthusiastic and for a twelve month I thought that both of the institutions had been made over. Although there were many strikes in the trades in the localities, there were none in these plants. Both the average quality and the gross production increased very materially; the ill-will of the employees practically disappeared—in short, a complete regeneration was under way and all but completed. Everyone noted the marked changes and was delighted.

I know now that the apparent executive conversion was only for the moment. As time went by, lulled by an apparent sense of security, they began to disregard, first in little things and then in larger ones, the principles of the Business Policy. They interfered with the orderly workings of the machinery of democracy and, little by little, be-

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gan to suspend its functions. They opposed the calling of mass meetings; they pigeonholed bills and resolutions of the House and Senate, until gradually these bodies found that it was useless to meet. The attendance dropped off and finally they quit their sessions altogether and Industrial Democracy died a lingering death. As the practices were abandoned the good-will that had been accumulated evaporated; the old feeling of distrust came back with new force, and my last accurate information on either of these companies was that their condition today was worse than ever before, because the people who remained had lost all faith in the integrity of the owners.

These cases are very instructive as showing what will inevitably happen if the employer is not sincere, if he does not remake himself according to the model set up for the whole company. There is no room for the double standard. If the employer violates any of the principles of the Business Policy, if he does not keep the pledge of Justice and Coöperation, neither will the employees and, more than that, they will go the employer one better on every violation. An employer must remember that it will take a number of years before all of his employees trust him,

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and any straying on his part from the straight and narrow path which has been laid out for the whole organization will give great aid and comfort to the noisy "I told you so"s, who have a considerable influence in almost every factory group.

But I think there are precious few employers who do not put the success of their work above themselves. Having only two backsliders out of twenty odd conversions should be a gratifying rate. However, I think it is high; I think that it is at least the rate per hundred.

I have said enough to show that Industrial Democracy is not a dangerous communistic experiment, that it has no rufous streaks of Bolshevikism and that it is an insurance of invested capital, not a speculation. I know that it is an insurance, because in several instances it has been introduced while disorder threatened. It has prevented strikes which would seriously have affected the value of the investment and might eventually have brought ruin. I do not care to represent Industrial Democracy as a strike settler, because that might confuse its real merits and fetch it into a class with nostrums and panaceas. Industrial Democracy is a level of thought and only incidentally a system. It stops strikes because it

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goes back of the strikes and reforms the numerous mutual errors of thought which generate the ill-will and cause the desire to strike.

Industrial Democracy is a definite and profitable plan of organization. It feeds men with constructive thought, gives them more reason for active service to the company, and makes them personally and collectively interested in reducing costs in shop, office, and sales. It pulls them out of hopelessness and builds up a spirit that brings coöperation and hence profit. Moses said: "Without a vision the people perish." He said that a long time ago, but it holds true today. The business without a vision will have no aim and hence no ginger. It is the part of the management to supply the aim; then the organization will put in the ginger. An organization is efficient in direct ratio to the clarity of its vision. In every shop and every office there lies buried under the dust of routine work, in the doubts of opportunity, in the lack of faith in the management, the dormant will to do a better and more profitable business. Every organization has these qualities and they can be brought out into the light and made to function.

Industrial Democracy increases and develops

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the control over the investment by causing every member of the organization to see that every portion of the capital is conserved and directed along the lines of more business and more profit.

Is not capital safer with labor not competing but coöperating? Here is how the Printz-Biederman Company answers the question:

"Thus you can readily see, the people, understanding the troubles and need of betterments, make and abide by their own laws, which laws are of course subject to confirmation by the Cabinet. Contrast this method, if you please, with the old-fashioned method of arbitrary rule by arbitrary authority backed only by the power of discharge.

"As much difference exists between the old and the new method of business conduct, as between Anarchy and Democracy."

Another employer says that Industrial Democracy has enabled him "to have a better and firmer control" over every portion of his business than he had ever before thought possible.

Industrial Democracy, from the employer's standpoint, is but a development and coördination of existing labor systems. Take welfare work. The thought behind the right kind of welfare work is the creation of a physical and mental environ-

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ment that will develop the brain force of the worker —that will cause him to think. A mass of thinking human beings will at once ask, and finally demand, not only a share in their political government but also in the ordering of their industrial lives. This progression is inevitable if the welfare work is clean, honest, and truly uplifting. In no case has there not been, as a sequence to welfare work, a demand for a greater share in the fruits of the business. Every one of the institutions which has led in bettering the physical and mental welfare of the workers has eventually granted higher wages, profit sharing, stock ownership, or all of them—either by compulsion, in order to quiet labor troubles, or voluntarily by reason of the fairness of the executives. I have particularly in mind the United States Steel Corporation, the Ford Company, the National Cash Register Company, and the Filene Store. The Filene Store is more advanced than any of the others and has already (I think inevitably) passed on to a kind of informal democracy and I take it that in every other institution distinguished for its humanity, the evolution will be similar. For to me Industrial Democracy is not a drastic revolution but an inevitable, resistless evolution.

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CHAPTER X

KEEPING ALIVE THE COMMUNITY SPIRIT

ONE of the several objects of Industrial Democracy is to eliminate the necessity for the close supervision of employees by abolishing "working for" and putting in its place "working with." Thus the minds of the executives as well as of the workers are freed from burdensome routine and enabled to express themselves in their fullness. That is what has always happened—as the incidents which have been related bear witness. But it must not be imagined from this that Industrial Democracy is a kind of perpetual motion and that once started it will go on of itself forever.

The underlying thought is the change in mental attitude by having all parties to the work coöperate toward the same end. The machinery of democracy keeps alive the spirit of coöperation by its assurance of the universal square deal; the people can express themselves in their forums—they cannot complain that they have wrongs without redress or that they have ideas to which

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none will pay attention. Having an opportunity for expression, their minds are open for ideals; they have founded their organization upon the ideals of Justice, Coöperation, Economy, Energy, and Service. They will want to carry these ideals into their work and here it is that the qualities of leadership on the part of the executives will find wonderful opportunities.

It takes time to make ideals second nature; some of the men reach that point quickly, but the more suspicious (and there are as many suspicious employees as employers) will doubt for months and perhaps for years. It is to convert the doubters and to stimulate the believers that some written evidence of what is going on should continually be in circulation.

First, the full platform should be in the hands of every person connected with the establishment; it should be posted on every bulletin board; it should be so much about that no one can forget its existence. Second, the proceedings of the various bodies in so far as they can well be published should be given in abstract to the people. Let them know what is going on and especially the decisions of moment to them; it is not well to publish the full minutes, because that tends to

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curtail discussion; but a general "newspaper account" of the proceedings can be distributed. Third, the messages from the management to the men should be given all possible publicity: they may be messages of any kind so long as they show the people what the company is doing and consequently make them feel that they are a part of the company in the fullest sense. Let them know something of sales and policies so that they cannot take the attitude that any part of the organization is without interest to them. Interest is founded upon knowledge. It helps a worker to know what a salesman is up against. There are no high board fences separating the departments of a well-organized business.

In short, it vitally helps toward a better common understanding and interest if there is a continual stream of communication among all parts of the organization. From the nature of things this communication should be written as well as oral, in order that it may have an entire audience. The end is to beget mutual confidence, which is only another way of saying that it is necessary continually to advertise Industrial Democracy to every member of the organization.

Advertising has long been recognized by indus-

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trial leaders as a powerful means for quickly building good-will among their customers, but many have failed to realize that it can be used just as effectively for creating good-will among the men who make the products.

Advertising for this purpose can take the form of printed bulletins, letters, house organs, pay envelope enclosures, or any other form that seems advantageous, and their issuance should at all times be under the supervision of the Cabinet. They should be couched in simple, direct language. They should be written as man to man. They should carry absolute sincerity in every line. They should show a real desire on the part of the owners and management to *work with* the humblest employees. They should carry a stimulating and contagious enthusiasm, but they should never be mere empty "ginger" words, and again, care should be taken that there be no "writing down" to the people or any other evidence that the management considers itself mounted on a pedestal or occupying a pulpit.

Part of this printed matter may be addressed to the Senate and the House of Representatives and part of it to the whole mass of employees. That addressed to the lawmaking bodies should

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carry constructive suggestions for the working out of concrete problems. It should be such as will give the members of those bodies a broader outlook and assist them in rendering balanced judgments. Such matter as is addressed to the whole body of employees should be friendly, stimulating, and upbuilding. Whether it be in the form of letters, bulletins, house organs, or notes, it should carry an atmosphere of complete frankness. In these pieces of good-will advertising you can state exactly what your aims are, what you want to accomplish, and why. And if you really have as sincere a desire to build up your workers as to build up your business, they will soon become fully conscious of it; and there is no question as to the response you will get. If you consider your workers merely from the standpoint of the *dollars* you can make out of their skill and muscle, they will think of nothing but the *dollars* they can get from you. They will return to you what *you give them.* Treat them as though they are antagonists and you will get antagonism all day long and overtime besides. But show them you believe in them and they will believe in you. Show them you have their interests at heart and they will take an *interest in you.* Show them that you

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believe they have intelligence and fairness, ambitions and ideals, and you will find that they *do have them.*

If the factory is a large one, the house organ may require an organization to handle, but the occasional copy is better done on a multigraph because then it may be gotten out quickly without the delays of a printer and, in addition, there need be no fear that more or less intimate communications will reach the eyes of those for whom they were not intended. A stale message is not worth much and often executives are deterred from saying what is in their minds because they know that by the time the words are printed they may not be pertinent. By the multigraph method you get immediate action, before the subject has grown cold—putting the circulars, bulletins, or notes into the workers' hands on the same day the need arises—if necessary within an hour or two.

Mr. Charles M. Schwab has said that the two most powerful forces for accomplishment in the industrial world are rivalry and enthusiasm. And these forces can be put to work in any establishment. As I have previously stated in this book, high wages are not alone sufficient to keep men contented or, which is the same thing, to cause

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them to put their hearts into their jobs. We are all vain. We all want the approval, respect, and praise of our fellowmen. Therefore, if a worker, a gang, or a department does something exceptional, give the feat all publicity. Give a perfectly natural and wholesome vanity something to feed on. Nothing is more stimulating. Nothing is better calculated to bring out hidden capabilities in men and women who have previously gone along in a twilight of hopeless drudging.

When a department wins the flag for the period, print the names of the people in that department and tell how and why they effected their economies. If a dividend is above the average, explain how it came about and, if it is below the average, then likewise give the facts with some suggestions as to how another low dividend can be prevented. The whole factory is always the better for knowing just what it is doing. I do not stress quantity production; I think that quantity is wholly secondary to quality and that when quality is the first consideration quantity will flow of itself. But publish the quantity records, too, if quantity be needed.

The big thing is to keep alive the pride of work, the spirit akin to the old craftsmanship—the

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working together to produce the best product of its kind at the price. And, in order to accomplish this, the power of the written word must not be neglected.

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CHAPTER XI

PUTTING LABOR BEHIND AMERICA

I HAVE touched but lightly upon that phase of Industrial Democracy which is really the most important—its function in helping to make America a nation.

A nation is something more than a geographical division; it is a spiritual unity of individuals. A mere joining at the top does not make a nation. Russia was joined only at the top; its various discordant elements were held together only by force and the moment that the grip loosened the separate nationalities went their several ways. There is a similar situation in the Dual Empire. Through hundreds of years the various nationalities there have not assimilated, they have no common aim, and no common spirit. A Czecho-Slovak hates an Austrian more bitterly than a Frenchman hates a German.

Here in America we have not had to contend with distinct nations preserving their national entities within our borders. We have stretches

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of country—particularly in the West—where most of the inhabitants belong to a particular nationality and preserve in a degree the fatherland language and customs. We have had districts in which English-speaking schools failed for want of attendance; but in no case have we had to deal with alien inhabitants on a purely geographical basis. Our alien minded are scattered through the whole country joining in small groups here and there (small that is, when considered in relation to the total population) and as political units they are negligible. Our problem is not one of definite, sectional alienism, nor even of making the American spirit predominate. For, when put to the choice between loyalty and disloyalty, loyalty always wins. But a subtle, although very real, difference exists between actual disloyalty and a failure to grasp the spirit of America.

Disloyalty is a defiance and may be dealt with by law, but no law can be framed to create a common Americanism, a knowledge of American ideals, and a wholesome, whole-hearted interest in their extension. We cannot touch spiritual matters by law, we can only enforce a lip service, and lip service will not cause a man in any emer-

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gency to think first that he is an American and only secondly that he is an individual. Yet that is precisely the spirit that we must have in order to attain a truly united America.

We have not that united America today; we have an encouragingly large number of true nationals, but also we have a dangerously large number of half-baked nationals and a big class of spluttering, phrase-loving, wholly unworthy, internationals—men who are proud to be without a country. They are not confined to any one class or to any one particular social order. The employer who profiteers in war time is not a whit better and probably he is worse than the workman who profiteers by striking in the midst of the manufacture of vital munitions. We have found that we have such employers and such employees. We have erred in directing all of our efforts at Americanization towards the employees, simply because there happen to be more of them than there are employers. I know of one employer on the East Side in New York who discharged a worker for taking time off to become naturalized! Un-Americanism is not confined to any class; you will find it among the rich and among the poor. It may take the form of lukewarm loyalty,

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or again it may be a professed loyalty to the country as such, but with a positive disregard of the ideals that dominate its foundation. Forcing employees to vote for certain measures and candidates is spiritually quite as disloyal as cursing the country. What is the difference between jumping on the American flag in public and flouting our Bill of Rights by forcing a kind of servitude upon workers? There is a legal and circumstantial difference, of course, but is there any particular difference in degree of Un-Americanism?

We have little to guide us in the future. We do not know whether after this war we shall be able to recognize the world that we are living in. Some social changes will undoubtedly come about; they may be drastic or they may be gradual; more probably they will be gradual. But one thing is certain. The prosperity of any country will depend upon its ability to make and to sell with the highest possible efficiency. Of course that has been the rule in the past, but we in America have not felt it so keenly because we have not been a world-competitive manufacturing nation and our natural resources were so great that we could waste a deal of them and still have enough

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to sell and live on. We are now a manufacturing nation—the greatest in the world. Our factories have been so extended that I think working full time we could supply all the needs of our people with six months of operation. But we cannot work only half the year and continue prosperous. We must find some way to take up twelve months of efficient production—that is, we must find new markets for our products and those markets will have to be without our own borders. In other words, to find an outlet for the full yearly production, we shall have to be prepared to make and to sell more efficiently than other nations.

We shall not breed a national spirit without national prosperity; the one begets the other. If we have a real national spirit we shall have a fundamental prosperity; if we have a fundamental prosperity we shall have a real national spirit. Perhaps this is utilitarian reasoning, but there is a utilitarian background for most of our ideals. It is very difficult, although not impossible, for a wife to love a husband who will not support her. It is even more difficult for children to pay homage to parents who think that their whole duty has been performed when they have brought the children into the world. Therefore, I think that

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Americanism is a reciprocal relation; it is a give-and-take proposition. The quickest educator in the American spirit is the practical realization that following American ideals produces both material happiness and prosperity.

I have tried to show in the preceding pages that Industrial Democracy has produced a very large degree of material happiness and prosperity in the institutions where it is in force. The people have come to regard the factory in which they work as *their* factory and here is the remarkable further development—*they have gone beyond the factory in their awakened spirit and found a new interest in the country in which they live.*

In the average factory the man who does not speak English finds that deficiency of comparatively little moment because notices and orders are given to him in his own language. If he learns English it is because he needs it outside the factory. But in every case of Industrial Democracy one of the earliest enactments of the Senate and House is always a rule that notices and orders shall be only in the English language. They proceed to force a knowledge of English—it becomes an essential. Here is a typical speech with its

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English unrevised. It happened to have been made in the Senate of a textile plant; I could clip others of similar import from almost any of the installations:

"This brings up something that occurred in my department through lack of understanding the English language—I had one man who talked English fairly well; I have told him to do different things and he would say 'Yes, I understand.' Once or twice I let him go and he did just the opposite of what I had intended. I found that a little more explanation was necessary and sometimes an interpreter. That may have happened in other departments where employees not understanding English were told to do something and seemed to, but really did not understand."

The people themselves have asked for English classes and have insisted that those who do not speak English attend them. As a result of learning English the people get away from reading foreign language newspapers and, having a Senate and House of Representatives of their own, the doings of the Federal and the State legislative bodies cease to be mere abstractions. They know what their own Senate and House do for them and they read of the public bodies in the

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same spirit. Government ceases to be abstract and impersonal and becomes something which, vaguely at first, but then more and more definitely, is a part of their lives. A man who sits as a representative in a factory House has a pretty fair idea of the situation of his Federal representative and further than that, he gains out of his new experience a rule of measurement to determine whether his political representative is or is not a faithful public servant.

In passing from a regard of the employer as an uncontrollable autocrat to a recognition of him as the executive of his own best interests, he likewise makes a political progression from regarding the government as something set up merely to punish to something which exists by reason of the exercise of his own will to reflect and administer his own best interests. He thus grasps the philosophy of representative government—he catches the American spirit.

I doubt if we can teach Americanism; I doubt if the clearest possible knowledge of the workings of our institutions will give the spirit behind them. We have got to practice what we preach—all of us. And if we take what we think is the spirit of Americanism into our everyday relations, will

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it not spread into our political relations and thus give us a solid American front?

That is the phase of Industrial Democracy that transcends all others.

I present Industrial Democracy:

1. *As an Americanizing force.*
2. *As an industrial union.*

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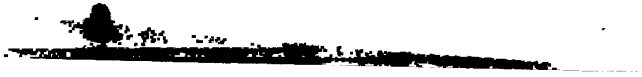
PUBLISHERS' NOTE

The Publishers desire to add that industrial organizations contemplating the installation of Industrial Democracy and desiring more information than is contained in this book may address Mr. John Leitch, 512 Fifth Avenue, New York City.

THE PUBLISHERS



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APPENDIX

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APPENDIX ONE

Business Policy
of
The Packard Company

We, the Employes, Officers and Directors of the Packard Company, recognizing that "Justice is the greatest good and Injustice the greatest evil," do hereby lay and subscribe to, as the first corner-stone of Our Policy, this greatest of all good,

Justice

The fullest meaning of this word shall be the basis of all our business and personal dealings—between ourselves as individuals, between our company and those of whom we buy and between our company and those to whom we sell.

Justice shall be the first Corner-stone upon which we agree and determine to construct broader character as individuals and broader commerce as an institution.

We recognize that justice to ourselves necessitates taking advantage of every opportunity to do the best that is in us, and each day improve that growing ability.

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We realize that merit must be recognized whether in ability or merchandise. With this certainty we cheerfully, hopefully, and courageously press forward to certain and unqualified success.

The second Corner-stone of Our Policy is

CO-OPERATION

To accomplish the greatest possible results as individuals and as an institution we find Co-operation a necessity.

We recognize that business without Co-operation is like sound without harmony. Therefore we determine and agree to pull together and freely offer, and work with, the spirit of that principle—CO-OPERATION.

So we shall grow in character and ability and develop individual and Commercial Supremacy.

Differences of opinion shall be freely and fearlessly expressed, but we shall at all times stand ready to CO-OPERATE with and heartily support the final judgment in all matters.

The third Corner-stone of Our Policy is

ECONOMY

As each moment is a full unit in each hour and each hour a full unit in each day, so each well spent unit of thought and well spent unit of action makes for each victory and the final success.

When the hour, the day, the year, or the life is filled

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with well spent ability, and an institution is composed of individuals who recognize the value of and so use their time, then success is controlled and governed and there is no longer that vague uncertainty or a blind and unreasoning hope.

Life is like a bag in which, each moment, we place a unit of value or of rubbish, and our present and future happiness depends upon the contents of that bag.

Recognizing that ECONOMY is time, material and energy well spent, we determine to make the best use of them, and so shall time, material and energy become our servants while we become the masters of our destiny.

The fourth Corner-stone of Our Policy is

ENERGY

As Energy is the power back of action, and action is necessary to produce results, we determine to ENERGIZE our minds and hands, concentrating all our powers upon the most important work before us.

Thus intensifying our mental and physical activity, we shall "Make two grow where one was," well knowing that our Individual and Commercial Crop of Results will yield in just proportion to our productive and persistent activity.

This power of Energy directed exclusively toward sound and vigorous construction leaves no room for destruction and reduces all forms of resistance.

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Having set in our Business Policy the four Cornerstones of JUSTICE, CO-OPERATION, ECONOMY and ENERGY, we are convinced that the superstructure must be

SERVICE

We believe that the only sure and sound construction of success as an individual or an institution depends upon the quality and quantity of SERVICE rendered.

We neither anticipate nor hope to be unusually favored by fortune, but are thoroughly persuaded that fortune favors the performer of worthy deeds and of unusual service, and we therefore determine that our days and our years be occupied with such performance.

Quality shall always be the first element of our SERVICE and quantity shall ever be the second consideration.

Thus shall we establish not only the reputation but the character of serving best and serving most.

Therefore, by serving admirably, we shall deserve and receive proportionately.

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APPENDIX TWO

Rules Governing Employees*

GREETING

In welcoming you as one of us—as a newcomer in the PRINTZESS family—we hand you this booklet, not so much as a book of rules to govern your conduct, but as a word of greeting—a means to tell you a little more about us, that you may know what we have thus far done for ourselves and that you may better understand what we are trying to do and so give us your help to reach our goal.

We can only accomplish something when we all work in harmony, in a true co-operative spirit. Therefore, we must learn to recognize the discipline of this factory as something that serves to guide us and help us by laying down the same rules for all. Try and help this discipline by observing these rules.

Read the book carefully, and if there is anything that you do not understand, ask the head of your department or the Social Secretary who will be glad to give you further information.

*Prepared for their own guidance by the employees of the Printz Biederman Co.

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We hope that your stay with us will be permanent and a pleasant and most profitable one.

We, the employees of The Printz Biederman Company, acting with the Cabinet, which consists of the officers of the firm, have adopted these four principles as the corner-stones of this business, and in welcoming you as one of us, ask that you, too, subscribe to them and observe them faithfully:

JUSTICE
CO-OPERATION
ECONOMY
ENERGY

By so doing, you will be furthering your own interest and the interests of all the rest of us.

RULES GOVERNING EMPLOYEES

Applications and Commencing Work:—When you first report for work, the Superintendent, or his assistant, will introduce you to your supervisor, who will assign to you your place and your work. You will later call on the head of our social service work, who is also in charge of the hospital room, the purpose of which interview will be to explain to you the object of that department and the work it is carrying on. Your application card will contain your address, and any change in address that you may make after commencing work is to be immediately reported, *without fail*,

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to your foreman, so that he may in turn report it to the Payroll Department.

Hours and Overtime:—Your working hours will be from 7:15 to 11:30 A. M., and from 12:15 to 4:45 P. M., except Saturday, when the working hours will be from 7:15 A. M. to 11:30 A. M., making a total of 48 hours per week. These hours govern all departments except office departments, whose working hours are from 7:45 A. M., until 11:30 A. M., and from 12.30 to 5:30 P. M. Hours on Saturday from 7:45 A. M. to 12:00 M. You will not be required to work on Saturday afternoon or on Sunday except in emergency. It is not the intention to ask any one to work overtime, but should it ever be necessary to do this, the overtime work will be paid for at the rate of time and a half for length of overtime put in. An O. K. for this overtime work will have to be turned in by the foreman of your department to the Payroll Department so that it, in turn, can credit you with correct amount of overtime.

Time Recording:—You will be assigned a time card on which to register your time of going to and coming from work. The payroll office will collect the cards every Wednesday for the purpose of making out your pay. The Payroll Department requires two days to figure up the pay of the many employees, so that the pay you receive on Saturday will represent what you have earned up to Wednesday night. Lateness will be deducted for, as will also absence.

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Holidays:—The following legal holidays will be observed throughout the plant and will be paid for just as if you were at work: New Year's Day, Decoration Day, Fourth of July, Labor Day, Thanksgiving Day, Christmas Day, and PRINTZESS Day.

Advancements:—Your advancement, and pay, in every way will depend entirely on the quality of work you do, the way you apply yourself to your work, and your attendance.

The practice of loitering is to be avoided at all times. Do not visit in other departments.

Tools and Their Care:—Workers on sewing machines are not required to provide any tools needed except a pair of scissors or shears. There is a deposit required for machine foot, shuttle and bobbin, which deposit is refunded on surrender of these parts. Cutters require a large pair of shears, yardstick and draw knife. All power and electrical equipment and the machines and tools needed in your work, except the above, will be furnished you free of charge and will be maintained by the firm in proper working condition. Competent machinists and repair men are employed for that purpose, and whenever your machine or tools get out of adjustment, you need only notify the superintendent, or your foreman or forewoman, who will instruct the machinist to make the repairs without delay.

Care in Handling Materials:—The material used in the factory being of a nature that is easily injured, you

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must be careful in the use of oil on your machines and refrain from bringing any eatables to the work room, or to eat anywhere throughout the plant other than in the dining room provided for the purpose.

House Purchases:—You have the right to purchase garments at regular wholesale price for your wife, mother, sister, or daughter, if living under the same roof. Before making such purchase you will obtain an order from the head of the planning department, or in his absence, from the head of the stock department, and this order, when presented to the man in charge of the surplus stock, will authorize him to wait on you. To save your time these purchases must be made during the noon hour. Your purchase will be packed up and a slip will be given to you by means of which you can obtain your package on the first floor from the floorman when leaving at night. Such sales are for cash only. Purchases of raw materials, such as lining, cloth, etc., can be made in a similar manner on application to either of the above-named department heads for a purchase order, or on application for such an order to the head of the purchasing department, who will direct you to head of piece goods and trimming department, who will wait on you.

Circulation of Subscriptions etc.:—The circulation of subscription lists for any purpose is discouraged. The circulation of subscription to raffles, investments or speculations of any nature is absolutely prohibited.

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Fire Precautions:—For reasons of personal safety and in accordance with orders from the Fire Marshal's office, no smoking can be allowed in or about the work room. The fire drill, which will be signaled by gong on each floor, is for the prevention of panic, and the instructions given by the fire drill lieutenants on your floor must be rigidly followed in all such drills.

Telephone:—Personal messages over the telephone during working hours are prohibited except in cases of urgent necessity.

Public Discussion:—Such information as comes to you in the course of your work is of interest to only yourself and your fellow-workers and, therefore, is of a more or less confidential nature. It is expected that you will refrain from discussing publicly outside of the factory anything pertaining to the factory, and thus keep from violating the confidence placed with you.

Applicants' Waiting List:—We often find it necessary to make additions to the force of employees, and applications are always welcome from favorable workmen or women. If you have any friend that you think might want a position here, direct them to our employment department, even though they may at the present time be employed, and they will be put on a waiting list, and will be advised at the first opportunity of an opening.

Example and Good Fellowship:—Make every effort to set the right kind of example in courtesy, energy,

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enthusiasm, and cheerfulness to those around you, especially to new employees. Assist them in every way that you can—answering their questions and making them feel at ease. To the end that a spirit of good fellowship may prevail throughout the factory at all times, a Printzess Goodfellowship League has been formed. The purpose of this league is to encourage acquaintance and friendship with your fellow-workers. As a Printzess employee, you are a member of this league.

Economy:—A great deal of needless expense is incurred by the allowing of gas and electric lights to burn when they are no longer needed. Help to economize by turning out these lights when they are no longer necessary. Aside from the saving itself, economy in one's own make-up is a thing to be cultivated. Lamps must not be removed from fixtures except by the cleaners or machinists. Economy in the use of lead pencils, paper, etc., is also a matter that is not usually given the attention it deserves. Economize so far as possible in the matter of stationery, supplies, etc. Economy in the use of raw materials is also a thing to be desired and any suggestions that you offer along these lines are especially entitled to reward.

Interdepartment Communications:—All communications between departments must be put into the outgoing baskets supplied for that purpose, and will be collected by the house messenger and distributed from

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one department to the other. Rush communications, however, should be sent by special messenger.

Visits from Friends:—Do not have your friends visit you during business hours except on urgent matters, in which case they will leave their name with the floorman on the first floor, who will in turn send it to the head of the department in which the person desired is working.

Publicity:—In order that everybody may be kept informed of whatever of factory interest there may be going on, there is on every floor, near the elevator, a bulletin board on which is posted, periodically, matters of general interest. Everyone is requested to make reference to this board from time to time, as this is your way of keeping yourself informed on the various matters about which you should know. Occasionally, also, special subjects will be brought to your attention by means of slips inserted in your pay envelope.

Suggestions:—If you have anything to suggest in the way of improvement in the methods of work, or that will add to the comfort and benefit of your fellow-workers, or that will correct any improper existing condition, give us the benefit of your thoughts. You will find a suggestion box on every floor, near the elevator, and blanks on which to write your suggestion. The Suggestion Committee will give your suggestion careful consideration and if it is considered as having merit, you will receive a suitable money prize as a

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reward for your efforts. The signing of your name to the suggestion is encouraged, although not insisted on.

Self Government:—Our Senate and House of Representatives meet each week for the consideration of such matters as have to do with the betterment of conditions in and about the plant and our well-being. If you know of any matter that you think requires attention, bring it to the attention of your representative or your foreman, that it may be properly brought up before the House of Representatives or Senate at the time of meeting. The Senate meets on Wednesday mornings at 10:00 o'clock, and the House of Representatives meets on Tuesday morning at 10:00 o'clock. You can find by inquiry the representative for your particular department, and present matters of interest to the House of Representatives through him. There is, also, a Betterment Committee to whom grievances or complaints of any kind should be made. Your representative can tell you the names of the members of this committee.

Social Secretary:—Our social service head, who is experienced in work of this nature, can be found in the hospital room office at all times from the hour of 8:00 to 1:00, except on Thursday, on which day she is there from 10:00 to 1:30 only. Suggestions that particularly apply to the social work will be welcomed by her and she will be glad at all times to be of service to any one

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seeking advice. You may obtain from the social service head, for purpose of vacations, a list of desirable country boarding houses with location and terms.

Dining Room:—A commodious dining room with ample seating capacity for all is provided. You will be assigned a permanent place where you can leave your lunch when you arrive in the morning. The dining room is also provided with a double cafeteria, on the serve-self system, where you can obtain milk, hot coffee, tea, etc., and if you do not bring your lunch, you can obtain wholesome, well-cooked hot meals, as well as sandwiches, fruit, pastry, etc. The schedule of prices is on a cost basis. In order to lessen the amount of work for the dining room care-takers, please carry your tray and used dishes to the kitchen window ledge when through eating.

Washrooms, etc.:—Ample washroom and toilet facilities are provided for all floors, and should at all times be kept in clean and sanitary condition. It is expected that all employees are interested enough in conditions around the factory to help keep them so. Any untidiness or disorder should be promptly reported to the head of the social service work.

Hospital Room:—It is the aim to have everything about the factory tend toward the best possible condition of health for employees. To that end a hospital room has been established for cases of illness or indisposition. In such cases, please report to your super-

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visor or foreman and then go to the hospital room where the head of the social service work, who is a trained nurse, is in charge. Any medical aid that she can render, you will receive free of charge.

Rest Rooms:—Adjoining the dining room, you will find a room provided with chairs, sofas, periodicals, magazines, etc. There is also a piano for your amusement and recreation. This is to be played only during the noon hour between 11:30 and 12:30 and to be locked at all other times. There is no smoking allowed in this rest room, nor is the eating of lunches allowed there. Any one desiring quiet for reading or studying during the noon hour can use the meeting room on the fifth floor next to the hospital room, where they will be undisturbed and free from intrusion.

Lockers:—For the hanging away of your wraps, the social service head will provide you with a locker to which you will have a key. Two persons will use one locker. It is expected that you will leave no rubbish or papers in the locker, as proper receptacles are provided in and about the locker room for such articles. A deposit of 25 cents is required to insure safe return of the key.

Library:—A free circulating library, branch of the Cleveland Library, is maintained in the social service department office where books may be obtained and exchanged during the noon hour. The librarian will also obtain for you from the main library any book

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that you may desire that is not already in our library.

Aprons:—Female employees may purchase, at cost, if they wish, large aprons for use in their work and so save wear and tear on their clothing. Aprons are to be obtained at the social service department room on the fifth floor, at noon on Mondays and Thursdays, and will be laundered each week without expense to you.

Towels:—On Mondays and Thursdays individual towels will be distributed in the basement. A deposit of 15 cents is required for your towel. This towel may be exchanged for a fresh one without cost twice a week, at noon, on the above days. When finally surrendering your towel your deposit will be returned.

Umbrellas:—Umbrellas can be borrowed on rainy days, on application to the social service head. These must be returned the following day or their cost will be deducted from your envelope on the following payday.

Lost and Found:—Any articles lost or found should be reported to the head of the social service department, who will take what steps she can to find the lost article or to locate the owner of a found article by means of the bulletin board, etc. Report such articles immediately, as delay might tend to counteract this department's efforts.

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Enforcement of Above Rules:—It is requested that any one noticing the violation of any of these rules report same to the head of the department interested. Repeated violation of rules on the part of any one will mar his or her record and act against advancement.

THE END

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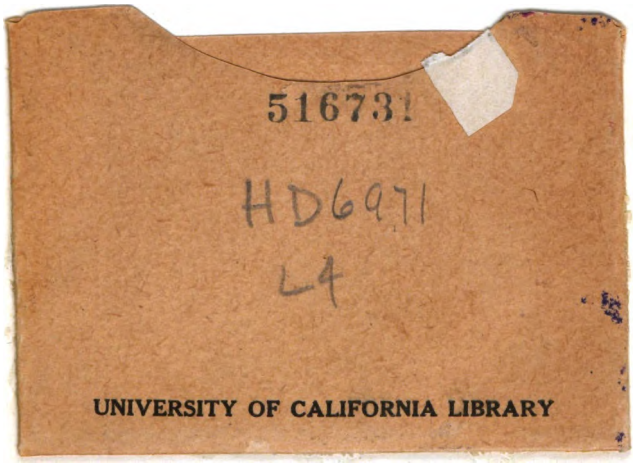
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